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# ***Daily Report***

## ***Supplement***

# **East Europe**

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Thursday  
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# East Europe SUPPLEMENT

JPRS-EER-93-049-S

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3 June 1993

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**\* Hungarian World Federation Stance on Vojvodina**

93BA0999A Novi Sad MAGYAR SZO in Hungarian  
25 Apr 93 p 5

[Interview with Dr. Sandor Hodi, a member of the presidium of the World Federation of Hungarians, by Peter Pertics; place and date not given: "The Promises Have Not Been Kept"]

[Text] *A national MVSZ [World Federation of Hungarians] council will be established, and local offices will be opened in the near future in Serbia and Vajdasag [Vojvodina]—interview with Dr. Sandor Hodi, member of the presidium of the World Federation of Hungarians.*

[Pertics] To our knowledge, you were present at the meeting of the MVSZ presidium on 17 April 1993 and at the committee meeting on Sunday. What issues were included in the agenda of the assembly of this distinguished body of the world's Hungarians?

[Hodi] Of the issues on the agenda, we were primarily interested in the issue of the federal regional reorganization of the MVSZ, the lot of Hungarians minorities living in the Carpathian Basin, and a proposal to help Hungarians in the Southern Region.

With the setup of the Carpathian Basin Council, the Western Council, national councils, and national council offices, a welcome process of decentralization began in the MVSZ. Accordingly, a national MVSZ council will be established and local offices will be opened in the near future in Serbia and Vajdasag. The only problem is that there is no money for this wonderful plan. I am not entirely sure, for instance, who will pay for the opening and operation of the MVSZ office in Vajdasag, and what functions this office will be able to carry out with the amount of financial support it will receive.

[Pertics] On the basis of the reports, what is your view regarding the situation of Hungarians in the Carpathian Basin and in the world?

[Hodi] In his introductory remarks at the committee meeting, MVSZ president Sandor Csoori spoke about the need to spiritually unify Hungarians. He sees spiritual unification as the way for Hungarians, scattered and broken since [the Battle of] Mohacs [1526], to revive. This idea is shared by many in the MVSZ. Being a psychologist, I find this basic notion to be somewhat irrational. I think that things depend much more on the recognition, reconciliation, and representation of our common interests. And this is definitely not one of our strengths. Consequently, we are rather hesitating, scattered, and incapable of action, even though we are faced with important issues that must be resolved. Let me only refer to international representation, collective rights, or minority autonomies, for instance.

[Pertics] Has the subject of helping Hungarians of the Southern Region also come up?

[Hodi] Yes. There was a proposal that the committee publicly solicit help for Hungarians of the Southern Region. Because of my earlier bitter experiences, I voiced my reservations with unusual bluntness, perhaps. I said that Hungarians, whose survival is in jeopardy, who are forced to flee, and who have been drifted into an extremely difficult social situation, do not need, for conscience's sake, another call for help. The bank account of "For Hungarians of the Southern Region Foundation" [DMA] has been open for a year now, and we have publicly solicited help from the entire world, to no avail. Benefit concerts have been given to help us, but we have not received a single penny. At its 29 November 1992 meeting, the committee approved the goals of the DMA and assured us of its complete support. However, Resolution 92/5 still seems to be nothing but empty words: The promises have not been kept.

All this does not mean that no help is arriving at Vajdasag. There is help, but it is sometimes sent—who knows whether intentionally or accidentally—to the wrong recipients, often precisely to those who do not take part in the struggle for their own survival.

[Pertics] Do you feel that the organizations and individuals who stand up for the interests and collective rights of Hungarians in Vajdasag have been abandoned?

[Hodi] We will see. Everything will depend on what the interests, and balances of power, will be both within the Hungarian community and on the international scene, and on the outcome of the bloody Balkan events, said Dr. Sandor Hodi, member of the presidium of the World Federation of Hungarians.

**\* Czech-Slovak Trade Problems Discussed**

93CH0636C Prague EKONOM in Czech 5 May 93  
pp 39-41

[Article by Alena Adamkova and Eva Klanova: "Old Maids on Both Sides; Decline of Czech-Slovak Trade, in Practice"]

[Text] Roughly a fourth of the total export of the Czech Republic [CR] is directed to Slovakia, which makes it one of our most important trading partners, immediately behind Germany. And it is all the more important because, in contrast to the Western countries, the export of goods exceeds that of raw materials and semifinished goods. Therefore, the drop in Czech-Slovak trade, recorded since the beginning of the year, is very disturbing, also in view of the deepening recession in EC countries. It would be sad if, after losing the Russian market, we were to lose the Slovak market, as well, which, although incomparably smaller, is no less important to us. In our article, we tried to trace the causes of that phenomenon and its specific impact on individual enterprises.

### Gloomy Statistics

With the separation of the federation and later also of the currency, mutual trade of the CR and the Slovak Republic [SR] fell into a deep crisis. Let us therefore remind ourselves of the hard reality. According to the estimates of the Czech Statistical Office [CSU] in the first two months of this year, mutual trade declined in comparison with the same period in 1992 by roughly 48 percent. Expressed in korunas, it means that, in January and February, the volume of trade between the CR and the SR reached 15.6 billion korunas [Kc], whereas last year it amounted to approximately Kc32.6 billion for the reported period.

The export from the CR to Slovakia in the first two months of 1993 represented 24 percent of the total export of the CR. Imports from Slovakia at the same time represented 19.7 percent of the total imports. Therefore, during the reported period, we exported to Slovakia, according to CSU calculations, goods for Kc8.5 billion and imported goods for Kc7.1 billion. The balance is Kc1.4 billion in favor of the CR.

According to the sources of the Slovak Statistical Office, however, the data on the development of mutual trade of the two new states are diametrically opposite. According to them, the volume of trade was 7.7 billion korunas, while the SR had a positive balance of 297 million [currency not specified]. Taken to its final consequence, that would lead to the certainly "beloved" economic phenomenon where both sides report a surplus in mutual trade. Can it really be that the "definition" of statistics, which claims that this science is merely a precise addition of imprecise numbers, is valid? It is indisputable that, behind every statistical datum on trade developments, somewhere in the distance a concrete delivery, a product, merchandise is hidden.

### Heart of the Problem

We asked Eng. Vaclav Petricek, C Sc [Candidate of Science], the deputy minister of industry and trade, where he sees the main causes of the drastic decline of trade with Slovakia. According to him, a great many causes can be found—from technical, caused by the initial confusion on the border (problems with customs clearance, difficulties with depositing the so-called customs duty guarantees, and so forth) to the macroeconomic. As the main one, he then mentioned the considerable number of claims and liabilities between Czech and Slovak enterprises. Of course, the data on claims and liabilities differ considerably on both sides. According to the Czech side, the difference between liabilities and claims after the due date is more than Kc15 billion in favor of the Czech enterprises; of course, according to the Slovak side, only 3.8 billion (again in favor of the CR)—all that on 8 February of this year. The great difference in the data is caused by, among other things, the fact that enterprises in both republics were mutually so interlinked that one could not talk about a classic exchange of goods, and statistics were basically not kept

until 1992. Therefore, both ministries of finance instructed the enterprises to make a thorough accounting of liabilities and claims against the organizations of the other state.

However, the large amount of assets in Slovakia of the Czech enterprises, together with some negative signs on the Slovak side (worsening payments discipline on the part of Slovak banks as well as of enterprises, which is distinctly better for goods that are absolutely essential—for example, medicines—than for goods that are replaceable by Slovak products, leading one to suspect that all of this is a reflection of directives "from above"), is making the Czech enterprises uneasy. Therefore, those that have large claims in Slovakia often stop deliveries to the SR or demand payment in advance or in cash. That creates tension and an atmosphere of mistrust, and such an unfavorable-to-trade climate leads to further constraints on the exchange of goods that are sometimes quite unwarranted. The blame obviously lies on both sides, if only because Czech enterprises have not only claims in Slovakia but also sometimes large liabilities. At random we can name Spolana Neratovice (debts of over Kc100 million in the SR), MEZ Mohelnice (Kc100 million), Prerov Machine Works (Kc133 million), Aero Vodochov (Kc200 million), and Tatra Kopřivnice (over Kc600 million). The data are from 31 December 1992. The Czech side was also the first to prohibit the import of uncooked pork, and only later came a similar prohibition from the Slovak side.

On the other hand, according to Eng. Petricek, the currency separation itself did not have a direct influence on the decline of trade. However, the subsequent devaluation of the Slovak koruna against the ECU [European Currency Unit] by 5 percent moderately increased the prices of some imports from the CR.

The CR Ministry of Industry and Trade does not intend to stand idly by while more trade is being lost. It is therefore making an effort to find a way to solve the problem of mutual claims. There are, for example, proposals to combine the enterprise claims into a mutual property and financial settlement, and there is also talk about a possible capitalization of some of the claims. The directorate of the customs union is also initiating a plan to keep customs statistics of the movement of goods between the two republics.

It is likely that, given the continually preponderant imports from the CR to Slovakia, the Slovak Government, if it wants to settle its liabilities, will have to go to some kind of currency regulation, with the attendant impact on the internal convertibility of the Slovak koruna. Another possibility is to obtain foreign credits because a devaluation of the Slovak koruna obviously does not come into consideration at this time. According to the latest data, the extent of claims and liabilities between Czech and Slovak enterprises declined somewhat during February and March. Let us hope that the interest in good mutual economic relations will prevail.



In the CR, the greatest decline in deliveries to the SR, according to data of the CR Association of Industries, affected the machine-tool industry, followed by the food and consumer industries, although precise data are still not available. We have therefore tried to map out the situation especially in those branches. We were also interested in the chemical and pharmaceutical industries, which were traditionally the most integrated, in order to find out whether the decline in mutual trade manifests itself even there. To be objective, we also visited two Slovak enterprises that have large claims in the CR, and we also investigated how much interest in buying Czech goods there is in Slovak department stores, and the situation at the customs offices, so that we could give testimony that was as objective as possible.

#### **Lack of Idle Capital**

The greatest decline in deliveries between the two republics occurred in the machine-tool industry. The TOS Kurim Corporation [Machine Tool Factories Kurim] had roughly Kc375.5 million in claims past due and Kc96.5 in liabilities on 28 February of this year. The turnover of that company, with 2,500 employees, was Kcs570 million last year (calculated since May, when the state enterprise was transformed into a corporation). A turnover of Kc680 million is expected this year. In relation to Slovakia, at the beginning of this year, the amount of claims and liabilities past due was: liabilities 8.2 million korunas and claims 158.5 million korunas [currency not specified]. The biggest debtor, with a debt of roughly 100 million korunas [currency not specified] is ZTS Martin [Heavy Machine Tool Enterprises Martin]. Last year, deliveries going to the SR amounted to Kcs47.7 million (total export was Kcs139 million), and purchases were only about Kcs8 million. During the first two months of this year, the export to the SR was Kc2.1 million and the import Kc860,000. But, in TOS Kurim, they attribute that decline not only to the division of the state but also to the general conditions at the beginning of the year. That they do not want to abandon the Slovak market is evidenced by new some activities—for example, in the carriage works Poprad.

Because of the large claims, the company is unable to meet its obligations to the suppliers. It cannot reduce its credit burden, which today stands at Kc400 million, to a capital of Kc560 million.

According to the information of Eng. Josef Drazdil, the director general, the largest claims originated during the former regime as obligations of the state plan. He sees the resolution of mutual indebtedness primarily in crediting the claims. Claims that originated on the basis of a mandatory task are, in his opinion, practically insolvable on the enterprise level without intervention "from above." The company does not consider even the law on bankruptcy and settlement to be a panacea; it is afraid that it will start a chain reaction. Moreover, that law has not yet been passed in Slovakia. Similarly, exacting claims through the courts—particularly large claims—is complicated, in view of the set amount of court fees.

Povazske Machine Tool Works (capital 4 billion Slovak korunas [Sk]; expected volume of output Sk3.2 billion to Sk3.5 billion; 7,500 employees) have basically the same problems as TOS Kurim, but on a much larger scale. On 28 February of this year, their claims here were Sk1,276 billion and liabilities roughly Sk1 billion. Claims in the CR came to Sk719.2 million of that amount. The biggest debtor in the CR is Aero Vodochody (on 28 February 1993 it owed Kc370.5 million, but a schedule for paying off the debt was agreed upon). The obligations of the Povazske Machine Tool Works to Czech enterprises were Sk597.2 million on the mentioned date. The biggest creditor is Metalimex (Sk174.3 million). As a result of the failure of their debtors to fulfill their obligations, Povazske Machine Tool Works have enormous problems, which Eng. Jaroslav Havranek, the director general, characterizes as a fight for survival. To get finances for at least electric power (they work up to the 15th regulation step), water, and gas is a daily worry for the management. According to Eng. Havranek, the situation is even more complicated by the fact that a similar or even worse situation exists in other Slovak machine-tool enterprises, which employ roughly 40,000 people in a 100-kilometer sector. It is no wonder, therefore, that their management is afraid of social tension.

A greater part of the claims and liabilities dates back from the time when the state was giving the enterprises mandatory state orders. With the change in the political and economic situation, however, those orders in many cases were not filled to the expected extent, and most of the liabilities related to them were left on the shoulders of the enterprises. Thus, for example, since the beginning of April of this year, Povazske Machine Tool Works paid 62 million korunas [currency not specified] for technology and production capacities they no longer need. A solution, according to Eng. Havranek, could be the introduction of the category of dubious assets or a temporary freeze of claims and liabilities pertaining to old state orders. It would also help if banks were willing to grant medium-term credit. In the opinion of the management, the fundamental solution for helping the machine-tool enterprises should be up to the Slovak Government.

#### **Food Exports Practically Zero**

The food industry recorded an enormous decline in trade with Slovakia as well. According to information from the CR Ministry of Agriculture, practically the only items exported to the SR are alcoholic beverages (but only 20 percent of the volume in previous years) and beer. The export of sugar has ceased totally, and a great decline was recorded in the export of meat, milk and milk products, and even potatoes. Most affected are understandably the food-processing enterprises near the Czech-Slovak border—breweries, meat *combinats* [agricultural and/or industrial complexes], canning factories, dairies, and so forth. We visited several of them.

Up to last year, Meat Combinat Hodonin was exporting 35-40 percent of its total sales to the SR; today, the figure

is only 8-10 percent. The reason, according to Eng. Frantisek Hanacek, the deputy manager, was an unclear system of payments and veterinary regulations. The claims of Meat Combinat Hodonin in the SR amount to Kc18 million—altogether, however, to Kc93 million—and liabilities to Kc90 million (of that amount Kc60 million to agricultural enterprises). Part of their liabilities are also in Slovakia. The enterprise has serious economic problems. Since the beginning of the year, it has even been unprofitable because of idle capacities. Although, toward the end of the first quarter, it won an order from the Market Regulation Fund to process surplus pork, who knows what will happen now that the EC has prohibited the export of meat? In that situation, the loss of the Slovak market is especially hard. In spite of that, however, the meat *combinat* is stopping deliveries to those Slovak customers who do not pay and is not looking too hard for new Slovak customers. Thus, it actually deprives itself of new marketing possibilities, which obviously applies also to other enterprises in that locality. The fear of the devaluation of the Slovak koruna and the possible default on payments is stronger than concerns about losing the market.

The Slovak market was completely lost also to the Cooperative Wineries Hodonin. Their traditional customers simply stopped placing orders, partly because Slovak wine has become cheaper since last year, thanks to the agricultural subsidies given by the Slovak Government, and partly because of national pride (Buy only Slovak goods!). But it does not worry the Hodonin vintners too much because, they said, the export of Slovak wine to the CR ceased at the same time. Because Slovak exports to the CR were always far greater than Czech exports to the SR, they gained at one stroke a market twice the size of the one they lost. The vintners are therefore not complaining.

### Chemical Enterprises Stick Together

Although Fosfa Postorna, the foremost Czech producer of phosphates, lies practically on the Czech-Slovak border (near Breclav), the decline in trade with Slovakia hardly affected it, according to the director general, Eng. Oldrich Chamlik. The reason obviously lies in the fact that chemical enterprises are so closely interconnected through the exchange of semiproducts that they cannot afford to stop cooperating. That does not mean, however, that Fosfa has no problems in relation to Slovakia. The greatest problem is the claims, which, on 28 February of this year, totaled Kc73 million. But, through negotiations and court proceedings, Fosfa succeeded in reducing them to the present Kc57 million. The biggest debtor in Slovakia is, paradoxically, the originally Moravian enterprise DAK Mova Bratislava, which so far has failed to pay a full Kc35 million. Fosfa has no liabilities; it is not insolvent.

In Fosfa's experience, payments are made much more promptly by those Slovak enterprises with which they maintain personal contacts—for example, Henkel-Palma. Others are late with their payments, and most Slovak chemical enterprises are deeply insolvent and simply do not have the money. But mutual set-offs of debts and claims help, for which Fosfa uses both Czech and Slovak specialized firms.

### Medicines Are Needed Everywhere

Slovakofarma Hlohovec is one of those Slovak enterprises that have large claims in the CR. When the claims reached 90 million korunas, Slovakofarma stopped making deliveries to the CR and gradually succeeded in reducing the claims to one-third and thus was able to resume deliveries. The same approach was taken by the Prague enterprise Leciva, whose claims in the SR amounted to Kcs150 million in October 1992. After an acrimonious wrangle with the Slovak Ministry of Health, all of the debts were finally paid, and, in January of this year, Leciva was able to resume deliveries.

Selection of Big Czech Creditors of Slovak Enterprises

Organization	Claims Past Due (Millions of Kcs)		Obligations After Due Date (Millions of Kcs)	
	Total	SR Portion	Total	SR Portion
OKD [Ostrava-Karvina Mines]	2,300	800	1,900	70
SHR [North Bohemian Lignite]	750	300	0	0
DEZA Valaske Mezirici	300	150	25	7
Kaucuk Kralupy	800	200	0	0
Chamopetrol Litvinov	1,130	300	0	0
Leciva Prague	180	60	200	10
Spolana Neratovice	550	300	400	130
Skoda Prague	1,700	1,500	50	50
Svit Zlin	2,000	250	840	50
OSAN Prague	630	240	230	8
CEZ Prague	2,000	250	0	0
Vitkovice	4,600	1,400	3,540	600

Source: CR Association of Industry, situation on 31 December 1992.

We are not talking about any trade war, therefore. Both Slovakiaforma and Leciva confirmed that their relations with partners in the other republic are good. Slovakiaforma exports to the CR are even higher this year than in the past (in January they amounted to Kc1.5 million more than in January 1992). Altogether, Slovak export to the CR is higher than the export in the other direction (2/3:1/3), which is given by the number of inhabitants of the two republics, and this situation will obviously continue. Slovakiaforma is planning to increase the prices of its medicines in the CR; in the year-long average, it should obviously be by about 15 percent. Both Slovakiaforma and Leciva are introducing, in the CR and the SR, respectively, a new distribution system, and dealers will work in each former kraj. Both partners are also considering a mutual barter exchange of goods. That trend is also appearing in the chemical industry.

#### Customs Union in Practice and Theory

During the past three months, most of the drivers transporting goods across the Czech-Slovak border became used to the necessary customs formalities, according to information from Zdenek Belic, director of the Customs Office Breclav-Expressway. At present, traffic on the expressway crossing is quiet and running smoothly. If a driver has all the necessary documents in order, the customs clearance is said to take three to five minutes. Sixty-five customs officers—in many cases, temporarily transferred from other border crossings and areas of the CR—clear 1,500 to 2,000 trucks in both directions. In comparison with January and February, the decline in mutual trade between the two republics is directly observable at the border crossing.

During February, forwarding firms gradually began to function on the border crossings between the CR and the SR. At the Breclav-Expressway crossing, which in the future is to become one of the largest expressway crossings in Central Europe, we cannot find at this time a single exchange bureau. Drivers who do not have foreign currency or the "appropriate" korunas for the forwarding fee change money from hand to hand directly on the expressway. (The most often used tender on the border is the federal 10-koruna bill.) At the Breclav crossing, there are to be nine forwarding firms, which, according to present experiences, is a sufficient number. The driver or the firm to whom the freight belongs can either pay the customs duty guarantee or use the services of a forwarding firm. In the second case, he will pay on the border a fee in the amount of Kc100 to Kc900, depending on the value of the freight; that is so at least at the Breclav crossing.

The forwarding firm then assumes responsibility for the freight until the goods arrive at the designated customs office. However, the forwarding agent has the right to turn down the driver and not to assume responsibility for the freight. That mostly involves cases where the driver does not have the necessary documents or is carrying a load of cigarettes or alcoholic beverages. Trucks loaded with that kind of merchandise present too

great a risk for the forwarding firms. Thus, it often happens that a truck fully loaded with foreign cigarettes, whose owner does not have enough money to deposit the customs duty guarantee, must return to Slovakia and "try his luck" maybe by transit through Poland.

In contrast to customs officers and forwarding agents, for whom the new customs regulations became a livelihood, many producers and businessman consider the application of the customs union and customs law in practice precisely one of the reasons for the decline in mutual trade between the CR and the SR. Is it really such a hindrance?

According to Dr. Lubomir Zemlicka, director of the Customs Administration Sector of the CR Customs Office, the problems on the Czech-Slovak border are primarily caused by ignorance of the new customs regulations (Law No. 13/1993 and procedural public notices No. 92/1993 and No. 93/1993) and not by poor functioning of the customs union. It actually consists only of consonant customs regulations, a common customs rate table, and the exemption of customs duty on goods originating in one of the republic and destined to the other republic. Ignorance of the customs regulations is joined by the ignorance of the new tax system and the difficulty of getting used to the existence of the state border in the first place. According to him, many difficulties would disappear if enterprises and entrepreneurs would use the services of specialized firms.

The frequent laments about the problems with depositing the so-called customs duty guarantee or the value-added tax in cash are considered groundless by Dr. Zemlicka because it is not necessary to pay cash; it is quite sufficient to present a bank guarantee or a guarantee by another person. To our question of whether the contacts with the SR are in some ways simpler in comparison with other countries, he mentioned, for example, the possibility of submitting a single customs declaration only once a month, not with every crossing of the border, where a trade certificate on the origin of the goods is sufficient for the customs officers. A simplification of the procedure should be accomplished also by building common customs offices and by applying the transit system for truck crossings, which is being discussed with the EC. It means that each truck would be cleared by a customs office in the interior of the country, then sealed, and would then proceed to cross the border without further delay. Dr. Zemlicka recommends that goods be cleared not in the customs office in Prague or Brno, where the wait is sometimes as much as 35 hours, but, rather, at the roadside truck centers along the transit routes.

According to him, everyone should realize that customs officers are at the border not to make life difficult for people but to collect customs duties and taxes, which are an important source of revenue for the state budget. We will therefore have to get used to seeing a customs officer at the Czech-Slovak border.

**Do You Order Czech, or, Respectively, Slovak Goods?**

The decline in mutual trade between the two republics, indicated by statistical estimates, should logically also manifest itself at the store counters. What is the reality? In Povazska Bystrica, we visited the store of the firm Banco and the Prior department store. In Prague, we focused our "study" on the Kotva department store.

The Slovak Prior is cutting back radically on the import of goods from the CR. During the first quarter of this year, the contracts made at the end of last year still had some time to go, but Prior is making an effort to replace Czech imports with Slovak products in the second quarter. According to the directors, the reasons are several. First, putting up the DPH [expansion unknown] on the border is a great financial burden. The Czech suppliers want to be paid in advance, which Prior is unable to do. Moreover, after the devaluation of the Slovak koruna against the ECU, Czech merchandise became more expensive by 8 percent, on average. In the Banco store, we visited the furniture department and the shoe department, which stopped importing footwear from the CR in spite of its customers' interest. In the furniture department, we learned that they practically stopped ordering from the CR. (Previously, they got approximately one-third of their merchandise from the CR, worth roughly about Kcs0.5 million a month.) One of the reasons was that Czech manufacturers at the beginning allegedly did not want to supply the merchandise because all of the conditions were not settled, and

they took care of customers in the CR first. The store is trying to replace imports from Czech firms with products of local enterprises.

In the furniture department in Kotva, the share of Slovak goods fell by one-third during the first three months of this year. The main reason, they said, is a general decline in demand for furniture since the beginning of this year. Both the Czech and the Slovak sides agreed that one of the solutions for reviving the exchange of goods between the two republics is a network of business representatives and wholesale warehouses, from which businesses could buy their merchandise and would not have to worry about the requisites connected with the movement of goods across the border. That method is already used to a considerable extent by Prague Kotva.

Summarized and underlined: What we learned is not too encouraging. Apart from a resolution of the most serious problem—the mutual liabilities and claims—what would greatly help improve the whole situation would be if people on both the Czech and the Slovak sides concerned themselves primarily with what is beneficial for their enterprises and put emotions aside. But, if they take a position such as did the manager of a food market in Povazska Bystrica, who refused to buy in the CR simply on principle (because in the CR they have higher salaries and all...), we probably will really be faced with a trade war. Let us believe that good sense will prevail.



### \* Results of Ethnic, Religious Census

93BA0970A Sofia VEK 21 in Bulgarian 14 Apr 93 p 3

[Report on Bulgarian Television program: "Preliminary Data of the Population Census in Bulgaria"]

[Text] The following data are based on the processing of a 2-percent excerpt from the 4 December 1992 Census.

The excerpt is stochastic (random), broken down by cities and villages, control districts and census sectors. This means that the results are accurate with a certain degree of probability. The maximal error for the individual items is within the +/- 15,000 individual range.

According to the data, the largest population group is that of the Bulgarian ethnic group, 7,206,000, followed by the Turkish, 822,000, and the Gypsy, 288,000.

Of the entire population 86.3 percent (7,311,000) speak Bulgarian; 9.8 percent (829,000) speak Turkish; 3.0 percent (257,000) speak Gypsy; and 0.9 percent (75,000) speak other languages.

The principal religious denominations in the country are Christianity and Islam. Christianity is professed by 7,373,000 people (87 percent), and Islam by 1,078,000 people or 12.7 percent.

Combined comparisons based on ethnic group and religious denomination indicate that the Bulgarian ethnic group also includes 78,000 people who profess Islam. These are Bulgarian Muslims, or the so-called Pomaks, who recognized themselves as Bulgarian. In terms of religious denomination, the Gypsy population may be divided into two groups. The larger, which totals 174,000 people, professes Christianity, and the smaller, 113,000, Islam. Of the individuals who identified themselves directly as Bulgarian Muslims, 700 stated that they profess the Christian religion; 65,000 professed Islam, and 150, another religion. In the "other" ethnic group, the largest number is that of individuals professing the Christian religion (65,000), followed by "Another Religion" (15,000), and last in the group those professing Islam, 10,000.

The Bulgarian language is the native language to 7,311,000 people, including 27,500 people who recognized themselves as Turks, 18,900 who declared themselves Gypsies, and 64,200 who identified themselves as Bulgarian Muslims. Turkish is spoken by 829,000 individuals, 792,000 of whom belong to the Turkish, 22,000 to the Gypsy, and 11,000 to the Bulgarian ethnic group. The Gypsy language is considered native by 257,000 individuals, 246,000 of whom recognized themselves as Gypsies, 8,700 as Bulgarians, and 1,000 as Turks.

Of a total of 7,311,000 individuals who stated that Bulgarian was their native language, 7,141,000 profess Christianity; 164,000 profess Islam, and about 7,000, another religion. The number of individuals who called Turkish as their native language (829,000) is almost the same as the number of those who recognized themselves

as ethnic Turks (822,000). Turkish is spoken by 818,000 Muslims, 11,000 Christians, and about 1,000 people belonging to other religions. Nearly two-thirds of the individuals who speak Gypsy (166,000) are Christian and one-third are Muslim. Of the individuals who indicated "other" as their native language, 74 percent profess Christianity and 16 percent are Muslim.

Interesting results were obtained from the combination of ethnic affiliation, religion, and language. About 3,000 individuals who identified themselves as Bulgarian and Christian said that their native language is Turkish. In all likelihood, these are individuals belonging to the Gypsy and Gagauz ethnic groups. About 8,000 people identified themselves as Bulgarian and Christian but stated that their native language was Gypsy. About 10,000 individuals declared themselves Bulgarian and Christian but, at the same time, listed "other" as their native language. In all likelihood, these are people from Greek, Russian, Romanian, Vlach, or other origin, who had acquired a Bulgarian ethnic self-awareness. A total of 70,200 Muslims declared themselves Bulgarians, speaking the Bulgarian language. These are Bulgarian Muslims who have preserved their Bulgarian self-awareness.

About 7,000 Muslims who qualified themselves as Bulgarian stated that they speak Turkish. Conversely, 25,500 individuals practicing Islam and speaking Bulgarian declared themselves Turks. These are probably the so-called Turkified Bulgarian Muslims. They include 853 individuals of Gypsy origin.

In the Gypsy ethnic group, 16,000 individuals profess Christianity and speak Bulgarian. These are the so-called Bulgarianizing Gypsies, most of whom have forgotten the Gypsy language while still preserving their Gypsy awareness. The "Turkifying" Gypsies, who profess Islam and speak Turkish, number about 22,000, while Muslim Gypsies who have preserved their native language number about 88,000. The bulk of the Gypsy population (157,000) profess Christianity and consider the Gypsy language native.

About 64,000 individuals called themselves Bulgarian Muslims. They indicated as their native language Bulgarian but Islam as their religion. Added to the group of Muslims who call themselves Bulgarian and who speak Bulgarian, numbering 70,200 people, they account for the sum total of the Bulgarian Muslim population in the country, totaling 134,000.

The ethnic group "other" includes some 20,000 people who profess Christianity and consider Bulgarian their native language. These are small groups of Vlachs, Russians, Armenians, Czechs, Poles, Slovaks, Greeks, and others who have forgotten their native language but have preserved their respective ethnic self-awareness. About 44,000 individuals of the "other" ethnic group professing Christianity have indicated that they also speak their respective native language, which means that they have retained all of their ethnic and linguistic features.



Most of the members of the Turkish ethnic group are concentrated in the following areas: Kurdzhali, 141,00 (17.2 percent); Razgrad, 79,000 (9.6 percent); Shumen, 67,000 (8.1 percent); Burgas, 61,000 (7.4 percent); Silistra, 54,000 (6.6 percent); Turgovishte, 49,000 (6.0 percent); and Plovdiv, 48,000 (5.8 percent).

These seven regions are inhabited by 449,000 or 60.7 percent of the population belonging to the Turkish

ethnic group. Bulgarian Muslims inhabit mainly the areas of Smolyan, 31,000; Kurdzhali, 14,000; Blagoevgrad, 11,000; and Pazardzhik, 4,000. The Gypsy population is dispersed throughout the country. The largest groups of Gypsies are found in the areas of Plovdiv, 23,000; St. Zagora, 22,000; Pazardzhik, 22,000; Montana [previously Mikhaylovgrad], 19,000; and Sliven and Dobrich, 17,000 each.

**Table 1**  
**Population on 4 December 1992 by Region and Native Language**

Region	Native Language				
	Total	Bulgarian	Turkish	Gypsy	Other
Total for the country	8,472,724	7,311,052	829,254	257,316	75,102
Sofia City	1,182,540	1,149,576	3,203	12,499	17,262
Blagoevgrad	351,333	310,965	32,025	5,699	2,644
Burgas	440,053	357,814	63,812	14,711	3,716
Varna	461,949	403,050	39,089	12,362	7,448
Veliko Turnovo	318,102	292,085	20,471	2,750	2,796
Vidin	151,881	143,242	450	6,191	1,998
Vratsa	270,522	260,345	1,505	7,568	1,104
Gabrovo	161,577	149,715	8,694	2,011	1,157
Dobrich	232,127	177,653	37,508	13,841	3,125
Kurdzhali	214,639	70,489	142,792	553	805
Kyustendil	181,615	175,117	200	5,898	400
Lovech	190,080	178,161	6,338	4,777	804
Montana	208,090	189,367	798	16,375	1,550
Pazardzhik	325,221	278,366	26,555	19,018	1,282
Pernik	162,535	160,631	—	1,003	901
Pleven	346,178	325,508	13,109	6,010	1,551
Plovdiv	733,801	651,431	51,014	22,802	8,554
Razgrad	167,469	80,299	81,724	4,480	966
Ruse	288,244	238,068	37,867	8,519	3,790
Silistra	161,177	100,790	56,118	2,410	1,859
Sliven	234,562	192,984	21,662	16,920	2,996
Smolyan	159,571	148,623	10,298	—	650
Sofia	289,514	277,231	932	10,271	1,080
Stara Zagora	397,245	356,926	17,165	20,390	2,764
Turgovishte	150,734	94,484	50,061	5,740	449
Khaskovo	295,118	247,868	34,262	11,783	1,205
Shumen	220,544	136,425	68,063	14,163	1,893
Yambol	176,303	163,839	3,539	8,572	353

**Table 2**  
**Population on 4 December 1992 by Region and Ethnic Group**

Region	Total	Bulgarian	Turkish	Gypsy	Bulgarian-Muslim	Other
<b>Number</b>						
Total for the country	8,472,724	7,206,062	822,253	287,732	65,546	91,131
Sofia City	1,182,540	1,147,832	3,353	10,797	—	20,558
Blagoevgrad	351,333	284,447	39,550	7,652	10,702	8,982
Burgas	440,053	358,526	60,940	16,365	152	4,070
Varna	461,949	402,350	37,539	14,313	—	7,747
Veliko Turnovo	318,102	293,233	20,271	2,750	100	1,748
Vidin	151,881	144,192	450	6,142	—	1,097
Vratsa	270,522	256,285	2,759	9,924	—	1,554
Gabrovo	161,577	149,615	8,241	2,314	50	1,357
Dobrich	232,127	176,812	34,042	17,210	—	4,063
Kurdzhali	214,639	56,979	141,078	1,562	13,558	1,462
Kyustendil	181,615	174,467	300	6,248	50	550
Lovech	190,080	174,438	7,495	5,581	1,813	753
Montana	208,090	186,826	798	18,867	—	1,599
Pazardzhik	325,221	267,147	29,882	22,124	4,246	1,822
Pernik	162,535	159,780	200	1,604	—	951
Pleven	346,178	322,454	15,212	6,559	—	1,953
Plovdiv	733,801	652,932	47,712	23,403	200	9,554
Razgrad	167,469	78,262	79,331	7,639	1,018	1,219
Ruse	288,244	237,171	37,519	8,917	398	4,239
Silistra	161,177	100,488	53,959	4,570	—	2,160
Sliven	234,562	195,280	18,916	17,170	—	3,196
Smolyan	159,571	115,329	12,598	—	31,094	550
Sofia	289,514	276,394	736	10,812	—	1,572
Stara Zagora	397,245	354,099	15,946	22,309	1,167	3,724
Turgovishte	150,734	93,837	49,413	6,487	498	499
Khaskovo	295,118	247,617	33,710	12,135	250	1,406
Shumen	220,544	135,428	66,764	15,760	250	2,342
Yambol	176,303	163,842	3,539	8,518	—	404

**Table 3**  
**Population on 4 December 1992 by Ethnic Group**

Ethnic Group	Bulgarian				Turkish				Gypsy			
	Religion				Religion				Religion			
Native Language	Christian	Muslim	Other	Total	Christian	Muslim	Other	Total	Christian	Muslim	Other	Total
Bulgarian	7,102,615	70,251	3,704	7,176,570	2,007	25,540	—	27,547	15,696	3,199	—	18,895
Turkish	3,469	7,243	50	10,762	6,623	784,821	803	7,922,47	550	21,795	—	22,345
Gypsy	7,972	698	50	8,720	151	853	—	1,004	156,763	87,879	1,000	245,642
Other	9,910	50	50	10,010	602	853	—	1,455	800	50	—	850
Total	7,123,966	78,242	3,854	7,206,062	9,383	812,067	803	822,253	173,809	112,923	1,000	287,732

**Table 4**  
**Population on 4 December 1992 by Religion**

Ethnic Group	Number	Percentage
Christian	7,373,245	87.0
Muslim	1,078,326	12.7
Other	21,153	0.3
Total	8,472,724	100

**Table 5**  
**Religion**

Region	Total	Eastern Orthodox	Roman Catholic	Protestant	Sunni Muslim	Shiite Muslim	Other
					Structure (Percent)		
Total for the country	100	86.2	0.6	0.2	11.8	0.9	0.2
Sofia City	100	98.5	0.4	0.1	0.4	0.1	0.5
Blagoevgrad	100	82.7	0.2	0.1	16.7	0.3	0.0
Burgas	100	83.6	0.1	0.4	14.5	1.1	0.2
Varna	100	88.8	0.2	0.1	9.0	1.5	0.4
Veliko Turnovo	100	91.5	1.3	0.1	6.3	0.8	0.1
Vidin	100	99.5	0.0	0.0	0.3	0.2	0.0
Vratsa	100	97.7	0.4	0.2	1.6	0.1	0.0
Gabrovo	100	93.3	0.3	0.3	5.7	0.5	0.0
Dobrich	100	76.9	0.2	0.3	16.3	6.1	0.2
Kurdzhali	100	24.5	0.3	0.0	72.4	2.3	0.6
Kyustendil	100	99.4	0.0	0.2	0.2	0.1	0.1
Lovech	100	92.3	0.6	0.1	6.5	0.3	0.2
Montana	100	99.4	0.0	0.2	0.4	0.0	0.0
Pazardzhik	100	84.7	0.2	0.2	14.2	0.5	0.2
Pernik	100	99.7	0.0	0.1	0.1	0.0	0.1
Pleven	100	92.2	3.0	0.0	3.9	0.8	0.1
Plovdiv	100	88.1	3.1	0.3	7.8	0.3	0.5
Razgrad	100	47.2	0.2	0.1	48.9	3.6	0.1
Ruse	100	83.7	0.3	0.2	14.2	1.2	0.4
Silistra	100	63.1	0.2	0.2	32.4	3.9	0.2
Sliven	100	88.8	0.1	1.0	7.7	2.2	0.1
Smolyan	100	44.6	0.1	0.1	54.4	0.7	0.2
Sofia	100	98.9	0.0	0.2	0.6	0.2	0.0
Stara Zagora	100	93.5	0.1	0.2	5.8	0.3	0.2
Turgovishte	100	62.9	0.0	0.0	35.8	1.3	0.0
Khaskovo	100	86.0	0.2	0.3	12.9	0.4	0.2
Shumen	100	62.6	0.0	0.5	34.7	1.8	0.3
Yambol	100	96.3	0.3	1.3	1.5	0.5	0.1

**Table 6**  
**Population on 4 December 1992 by Region and Native Language**

Region	Native Language				
	Total	Bulgarian	Turkish	Gypsy	Other
		Structure (Percent)			
Total for the country	100	86.3	9.8	3.0	0.9
Sofia City	100	97.2	0.3	1.1	1.5
Blagoevgrad	100	88.5	9.1	1.6	0.8
Burgas	100	81.3	14.5	3.3	0.8
Varna	100	87.2	8.5	2.7	1.6
Veliko Turnovo	100	91.8	6.4	0.9	0.9
Vidin	100	94.3	0.3	4.1	1.3
Vratsa	100	96.2	0.6	2.8	0.4
Gabrovo	100	92.7	5.4	1.2	0.7
Dobrich	100	76.5	16.2	6.0	1.3
Kurdzhali	100	32.8	66.5	0.3	0.4
Kyustendil	100	96.4	0.1	3.2	0.2
Lovech	100	93.7	3.3	2.5	0.4
Montana	100	91.0	0.4	7.9	0.7
Pazardzhik	100	85.6	8.2	5.8	0.4
Pernik	100	98.8	0.0	0.6	0.6
Pleven	100	94.0	3.8	1.7	0.4
Plovdiv	100	88.8	7.0	3.1	1.2
Razgrad	100	47.9	48.8	2.7	0.6
Ruse	100	82.6	13.1	3.0	1.3
Silistra	100	62.5	34.8	1.5	1.2
Sliven	100	82.3	9.2	7.2	1.3
Smolyan	100	93.1	6.5	0.0	0.4
Sofia	100	95.8	0.3	3.5	0.4
Stara Zagora	100	89.9	4.3	5.1	0.7
Turgovishte	100	62.7	33.2	3.8	0.3
Khaskovo	100	84.0	11.6	4.0	0.4
Shumen	100	61.9	30.9	6.4	0.9
Yambol	100	92.9	2.0	4.9	0.2

**Table 7**  
**Population on 4 December 1992 by Region and Ethnic Group**

Region	Total	Bulgarian	Turkish	Gypsy	Bulgarian Muslim	Other
				Structure (Percent)		
Total for the country	100	85.1	9.7	3.4	0.8	1.1
Sofia City	100	97.1	0.3	0.9	0.0	1.7
Blagoevgrad	100	81.0	11.3	2.2	3.0	2.6
Burgas	100	81.5	13.8	3.7	0.0	0.9
Varna	100	87.1	8.1	3.1	0.0	1.7
Veliko Turnovo	100	92.2	6.4	0.9	0.0	0.5
Vidin	100	94.9	0.3	4.0	0.0	0.7
Vratsa	100	94.7	1.0	3.7	0.0	0.6
Gabrovo	100	92.6	5.1	1.4	0.0	0.8
Dobrich	100	76.2	14.7	7.4	0.0	1.8

Appendix 1: December 1999 by Region and Ethnic Group (continued)						
Region	Total	Bulgarian	Turkish	Gypsy	Bulgarian Muslim	Other
				Structure (Percent)		
Kurdzhali	100	26.5	65.7	0.7	6.3	0.7
Kyustendil	100	96.1	0.2	3.4	0.0	0.3
Lovech	100	91.8	3.9	2.9	1.0	0.4
Montana	100	89.8	0.4	9.1	0.0	0.8
Pazardzhik	100	82.1	9.2	6.8	1.3	0.6
Pernik	100	98.3	0.1	1.0	0.0	0.6
Pleven	100	93.1	4.4	1.9	0.0	0.6
Plovdiv	100	89.0	6.5	3.2	0.0	1.3
Razgrad	100	46.7	47.4	4.6	0.6	0.7
Ruse	100	82.3	13.0	3.1	0.1	1.5
Silistra	100	62.3	33.5	2.8	0.0	1.3
Sliven	100	83.3	8.1	7.3	0.0	1.4
Smolyan	100	72.3	7.9	0.0	19.5	0.3
Sofia	100	95.5	0.3	3.7	0.0	0.5
Stara Zagora	100	89.1	4.0	5.6	0.3	0.9
Turgovishte	100	62.3	32.8	4.3	0.3	0.3
Khaskovo	100	83.9	11.4	4.1	0.1	0.5
Shumen	100	61.4	30.3	7.1	0.1	1.1
Yambol	100	92.9	2.0	4.8	0.0	0.2



**\* Ministry Official Urges Change in Foundation Law**

93CH0619B Budapest NEPSZABADSAG in Hungarian  
22 Apr 93 p 1

[Unattributed article: "There Are Problems With the Entire Body of the Foundation Law"]

[Text] There are problems not just simply with the foundations that the state is helping to operate, but with the whole body of the foundation law as well, Dr. Laszlo Kecskes, a deputy state secretary at the Ministry of Justice, told our reporter on Wednesday.

Characterizing the forthcoming draft law amending the Civil Code, the ministry official said that the regulation of foundations would clearly become stricter. As of 1 January 1994, it will not be possible to establish a foundation primarily for some business activity. Once the draft law is passed and becomes effective, a significant change promises to be the provision that a copy of the court decree ordering the registration of a foundation must be sent also to the prosecutor's office.

"With this provision, the state supervision of foundations will become closer," Kecskes emphasized. "This is necessary because the statutory regulations now in force require only registration of a foundation by the court. The courts now may oversee foundations only from the viewpoint of legality, but may not examine their business activities. That role has devolved by necessity on the tax offices, also because foundations enjoy very significant tax benefits." Kecskes noted in this context that a 1992 government decree exempted foundations from liability for business-association tax.

Concerning the relationship between a foundation's establisher and its board of trustees, the deputy state secretary pointed out that in the future the establisher of a foundation will not be able to be its manager.

But the establishing agency will still be able to have its representatives on the foundation's board of trustees, although they will not be able to form an absolute majority, Dr. Laszlo Kecskes concluded.

**\* Government Withholds Information on Foundation Funding**

93CH0614B Budapest UJ MAGYARORSZAG in Hungarian  
28 Apr 93 p 4

[Unattributed article: "What Can a Representative Find Out?"]

[Text] The Prime Minister's Office will not release to Miklos Haraszti documents pertaining to government decisions on the transfer of state property by the cabinet to various funds, MTI [Hungarian Telegraph Office] was informed yesterday by the Free Democrat representative.

In the letter informing the petitioner of the ruling, State Secretary Jozsef Kajdi of the Prime Minister's Office lists the following reasons for the refusal: The request did not specify the subject code and docket number of the decision; the law defining the legal status of representatives—on the basis of which Miklos Haraszti had requested the documents, he explains—does not "give individual representatives unlimited access to information contained in administrative documents." He concludes by asserting that the documents requested by the representative would provide such a comprehensive overview of the manner in which the government functions as a whole that, in accordance with the government's constitutional responsibility, they can only be made accessible to Parliament and its committees, but not to individual members.

In his comment to MTI's reporter, Miklos Haraszti made it clear: Paragraph 9 of the law on the legal status of representative quoted by Jozsef Kajdi unequivocally states that state agencies are compelled "to assist [the parliamentary representatives] in fulfilling their mandate and to provide them with the information they need to do their work." According to the representative, the subject to which the petition pertained was as precisely identified as possible.

**\* Controversy Over Amendment on Small Religious Groups**

93CH0614C Budapest UJ MAGYARORSZAG in Hungarian  
23 Apr 93 p 6

[Article by Gy. Imre Agocs: "Freedom of Religion and Responsibility Before the Law: Churches Becoming Associations?"]

[Text] On the initiative of Jeno Szigeti, president of the Seventh-Day Adventist Church, a meeting was called yesterday, attended by representatives of all churches currently operating in Hungary, to discuss a legislative proposal submitted by Tamas Lukacs (KDNP) [Christian Democratic People's Party], Laszlo Salamon (MDF) [Hungarian Democratic Forum], Laszlo Kovacs (FKgP) [Independent Smallholders' Party] aimed at revising the existing law governing the churches. The change would mean that from now on in order to be recognized as a church by the state, a religious organization would need to muster a membership of at least 10,000 people, or show that it has been operating in our country for over 100 years. This solution would not only put small churches into a financially and morally disadvantageous position, but, as it became clear at the meeting, it would cause a myriad of other problems for them as well.

According to Jeno Szigeti, who also chaired the meeting, the most important accomplishment coming out of the meeting was the possibility of a continued dialogue, for with 52 churches currently registered it is not easy to reach compromises, and on certain issues the various parties hold directly opposite views. One can sense that what concerns the small churches is not so much the

threat that they may lose their church licenses as a result of the proposed amendment, but the fact that despite the existence of several laws guaranteeing ecclesiastic and religious rights, for decades they were disenfranchised, and the possibility that this may happen again. They are not questioning the sincerity of the draft proposal, but they are concerned that a change in government may put them at a disadvantage. Lending credence to this fear is the fact that the Constitutional Court has drawn a very clear distinction between church denominations and what most of them would be reclassified as—associations. Denominations have the right to engage in missionary activities, theological training and running various institutions. Associations are not entitled to these rights which is why it is in the small churches' fundamental interest to work against amending the existing law.

The larger historic churches have taken a wait-and-see position: They are neither against the new proposal, nor are they for it. Their chief concern is not seeing 50 monks of the Krishna faith clapping and chanting on the streets, but rather finding ways to settle interchurch relations for which now there is a good possibility. It is not the goal of the large churches to engage in religious policy battles with the small denominations.

Since the draft proposal on religious freedom requires a two-thirds majority for passage, judging from statements made by members of the opposition parties it is unlikely that parliament will adopt the amendment. Still it would be a mistake to abandon the effort to pursue the dialogue, for it can continue to focus society's attention on a very important problem that must definitely be resolved. Specifically, we need to have laws that define the authority of the courts in determining what qualifies a denomination to be officially registered. If, let us say, a group of witchcraft worshipers decided to form a denomination, this would be considered a judicial responsibility, not an issue of religious freedom. And henceforth if members of a certain sect decide to behave in a manner that is destructive and dangerous to society, then it should be those individuals who should be held responsible, not the church itself.

#### **\* Official Views New Radio Supervisory Committee**

93CH0614A Budapest UJ MAGYARORSZAG in Hungarian 28 Apr 93 p 4

[Interview with Karoly Mezei, radio editor and secretary of the Supervisory Committee of Hungarian Radio, by A. Sz.; place and date not given: "Must Navigate..."]

[Text] *Last week marked the establishment of the Supervisory Committee of Hungarian Radio. Our correspondent spoke with radio editor and staff member Karoly Mezei, the secretary of the committee.*

[A.Sz.] One after another, we are seeing new councils and committees forming left and right at the radio. Yours is the most recent one tasked with ensuring impartiality,

credibility and professionalism in our radio programs. I am afraid many will see this as a form of censorship.

[Mezei] In a certain sense it is. Let's just call it a kind of "positive" censorship, a form of social control which exists in every democracy in the world. A means to ensure that on public radio every accepted political and world view, ethnic group, religious sect and artistic form is allowed to be heard, and that none are put at a disadvantage with respect to another. In terms of the original meaning of the word, however, it is not censorship, as the committee does not have the power to "ban" programs.

[A.Sz.] Except that in other countries such committees operate under the aegis of parliament, not within the radio's.

[Mezei] That is indeed true, but do not forget that these countries also have media laws mandating parliament to set up such committees. Although there are no laws binding them to do so, in Hungary the government and the radio have concluded that they could not do without the professional advice of an impartial and qualified body.

[A.Sz.] But will seven people alone be able to protect the values and interests of public radio?

[Mezei] The supervisory committee does not have any official authority. By monitoring programs, however, it can make recommendations to those who can influence the composition of the program structure and program content. This is why we have tried, following the recommendations made at specialized workshops and by the radio's board of directors, to bring on board highly qualified, independent and widely respected individuals whose word carries weight both inside and outside of the radio.

[A.Sz.] Is this also how your colleagues see it?

[Mezei] I believe that if there are going to be complaints they will be not against any particular individual, but against the very notion of having to have a supervisory committee. But those who understand that the radio's function is not just to serve them personally or to deal with them alone but also to serve the public, and that democracy needs to be a much more thoroughly regulated and controlled state of social coexistence than anything else, precisely in order to ensure that no one can exercise his freedom at the expense of others, well, those will accept this new institution which is unprecedented in the history of Hungarian radio.

[A.Sz.] Has anyone tried to label you since the formation of your committee was announced?

[Mezei] No. Neither at the radio nor anywhere else; after all, we have only been in existence for three days. There is one little thing, however, that I would mention because I do think it is a very important detail relating to labels. While the press release announcing the formation of our committee was correctly reported by all the papers,

Hungary's most popular daily, perhaps not by accident, stripped us of the "independent" label, even before we had a chance to utter a single word. Moreover, it alleged that our members were "appointed" by Laszlo Csucs, the head of the radio. I believe that our Articles of Organization and Procedures specifically state that these persons could not be "appointed"; at best, they can be nicely asked or called upon to represent the interests of the taxpayers in running a public radio. These are minor details, of course, but I have no illusions. There will be even sharper attacks levelled at the people who, as the dean of the committee, Jozsef Czimer put it, have chosen to sign up to serve as shipmates on a vessel caught in a thunderstorm that must be carefully navigated to maintain an even keel.

I sincerely hope that they have significantly strengthened that larger segment of the crew which aims to deliver this ship to safety as soon as possible....

**\* National Bank President on Negotiations With EBRD**

93CH0615A Budapest PESTI HIRLAP in Hungarian  
28 Apr 93 p 7

[Interview with Imre Tarafas, vice president of the Hungarian National Bank, by Peter Csermely in London; date not given: "\$100-Million-Dollar Credit to Agriculture; Why Is the EBRD Late?"]

[Text] *The European Bank for Reconstruction and Development [EBRD] is a very young institution, so naturally, it has been exposed to various childhood diseases. It is also certain, however, that during the two years they have been in existence they have accomplished a great deal, said Imre Tarafas in an interview with our paper. We asked the vice president of the Hungarian National Bank to talk with us about his discussions at the general meeting of the EBRD.*

[Csermely] The agenda included mostly topics that had been under detailed discussion for some time. Number one among them was the allocation of agricultural credits aimed at promoting the transformation of the Hungarian agricultural sector. What is unique in this package is that it also gives investors the opportunity to buy the used equipment of producer cooperatives. Previous credit packages did not make this possible. The credits, which according to preliminary estimates would amount to nearly 100 million dollars, would be assumed by domestic commercial which then would pass them on to the loan applicants. So the risk would rest with the Hungarian banks.

[Tarafas] Yes, it was just a year ago that negotiations concerning the issuing of forint stocks first got under way in Budapest. The possibility has been raised of offering credit in forint to Hungarian companies not producing for export, thus protecting both parties from possible exchange rate fluctuations. Moreover, the appearance of a triple A-rated financial institution on the domestic bond scene would greatly bolster the position of the

Hungarian stock market. After months of negotiations an agreement has been reached which has also been approved by the management of the bank. Nothing has happened since then, however.

[Csermely] What could be the cause of this delay?

[Tarafas] Probably the fact that so far they have not approved any projects that could be supported through the issuance of forint bonds. Besides, the Hungarian bond market is not the same as it was a year, or even six months ago. This is because the state bonds issued so far have already established a course-setting interest rate level.

The fundamental changes implemented in the Europe Bank's credit policy must definitely be viewed as positive developments, said Tibor Pongracz, state secretary responsible for overseeing the privatization process, in an interview with our paper. The new strategy designed to bolster and fund a whole score of small and medium-size enterprises in the region, will significantly impact on the economic efforts of the young democracies. This strategy will increase the bank's risk significantly

The state secretary has told us that the focus of discussion among the State Property Agency [AVU] representatives at the EBRD general meeting was the issue of reorganization. According to Tibor Pongracz, the most important topic discussed was the organization of a system of corrective holding companies to include domestic firms that have proven to be impossible to sell through competitive auctions. The EBRD would provide the holding companies with fresh capital and management. When asked by our paper whether Tibor Pongracz also shared the view expressed by AVU managing director Lajos Csepi that there was a chance that privatization could be completed in Hungary by next year, the state secretary responded by saying that he did not have such an optimistic assessment of the situation. There were still a great many firms that required long and hard work before they would become attractive to prospective buyers.

**\* Privatization Minister Voted Down After Interpellation**

93CH0615B Budapest PESTI HIRLAP in Hungarian  
28 Apr 93 p 3

[Article by I.B.: "Problems With Privatization; Nation Wreckers and Slogan Makers"]

[Text] For the second time in just a few months, Parliament has rejected Privatization Minister Tamas Szabo's interpellation rebuttal. It all began when MDF [Hungarian Democratic Forum] Representative Imre Korosi, a member of the Monopoly Group which has been critical of the way privatization has been handled, asked the minister to explain who specifically was responsible for what he called the government's nation-wrecking privatization policy. In the past two years, according to the representative, entire market branches have been

acquired by foreign investors, while denied the opportunity to compete openly, domestic entrepreneurs have not even had a chance to offer a bid. To illustrate this point he cited the examples of the plant oil, sugar, tobacco and alcohol industries, the AUTOKER enterprise, and of the state farms, the Apajpuszta Combined Works.

Tamas Szabo dismissed Korosi's allegations as a collection of slogans, pointing out that it was a misrepresentation of the facts to blame privatization for our social tensions. He rejected the assertion that Hungarian entrepreneurs had been denied the opportunity to participate in the privatization process. He reminded everyone that with the help of the Existence Loan and other allowances

50 percent of all state property privatized last year remained in domestic hands. He made it clear that the government was taking extraordinary steps to prevent abuse, and that any irregularity brought to their attention would be investigated promptly and without delay.

Imre Korosi expressed dissatisfaction with the minister's response, sharply adding that the only reason why he was not calling for minister Tamas Szabo's resignation was because he feared that if he did resign he could start concentrating all of his efforts on the MDF's reelection campaign, which would be disastrous for the party at the 1994 elections.



### \* Critical Assessment of Right-Wing Groups

93EP0254A Warsaw LAD in Polish No 19, 9 May 93 p 1, 5

[Article by Robert Malicki: "The Seven Capital Sins of the Right Wing"]

[Text] The task lying before Polish politicians today is clear: to gain the widest scope of authority and social support in order to effectively attain their vision of the country's future. That is the goal equally of the left and of the right, but neither side has yet been successful in its efforts. One indicator of that lack of success is the inability to develop a clear division of the political scene into government and opposition according to the ideological criterion right-left. The government is cocreated by the leftist Democratic Union [UD] and the rightist Christian-National Union [ZChN], among others, and the opposition includes both the Movement for the Republic [RdR] and Social Democracy of the Polish Republic [SdRP]. This criterion functions a little better as far as the parliament is concerned because party alliances are developing that are completely divergent from the government platform but are in agreement with ideological options.

The transitional period, marked characteristically by a certain chaos in the system of government and a lack of clarity of political structures, is still not ended. In such a period, unconventional political behavior is often necessary. Such behavior is dictated by the precedent interest of the state, and the class of politicians for such a period is determined by it. We must view the current government coalition according to those categories. However, that is also added proof that the government continues to "rely on the street," that there is still a lack of stable democratic mechanisms in Poland. Therefore, it has not been conclusively determined whether the foundations of the Third Republic will be left-wing or right-wing in nature.

For the present, it is with a great sense of uneasiness that we note the creation by certain politicians and journalists of the right of an atmosphere of defeat and decline (for example, certain statements made in the editorial discussion "Poland, It Is Time for Change!" in the weekly LAD, No. 1993). That is not to say that we should live under any illusions or that we should close our eyes to realities, but we should honestly analyze reality and continually note existing opportunities for success in the ongoing political battle with the left. That is especially so because the tasks of people who are professionally occupied in politics include an honest presentation of the status quo.

We should not hide the fact that, in this battle, the left is the predominant side. Undoubtedly, its position is a privileged one because it has access to and control of the mass media, strong support in the state administrative apparatus and the apparatus of the financial system, and, supposedly, material assistance from abroad. Moreover, in seeking methods for effective operation, the left does

not feel obliged to be guided by ethical principles in politics. Those circumstances increase the difficulties faced by the right. But we must also beat our own breasts and admit that the left primarily has the right itself to thank for its predominance. Eliminating the "seven capital sins" of the right would make possible competition with the left as equal to equal, despite the above-mentioned "objective" problems.

### Pride

The first of the sins is pride. There are at least a dozen leaders on the political scene who profess a rightist orientation. Each of them believes he knows better than the others what strategic goals must be implemented first and what tactic should be used. Even if those leaders discuss things among themselves, it is only to convince their discussion partner that they are right and not to modify their views and reach a consensus. He who loses in an encounter with the left does not admit his error and does not yield the fold to others but finds a thousand reasons for ostensibly justifying his defeat. Of course, those reasons do not include the real reason—that he turned out to be a weaker politician than his opponent, that he allowed himself to be outmaneuvered. Pride is the reason that, instead of yielding his place in the first line to his colleagues from the "squad" and building a base for them, the vanquished politician is affronted by words of criticism. In spite of the obvious facts, he tries to persuade people that his activity was of the highest caliber. As a result, that leads to subsequent divisions in the right camp and, in addition, to personal animosities.

### Ambition

The inseparable companion of pride is a second sin: overblown ambition. There are many candidates for responsible positions in the political hierarchy, and everyone would like to build an illustrious career. Instead of climbing up step by step and working together with others, strengthening one's groups in already attained positions, the leaders think only of constantly continuing their own march to the top. They manifest a total lack of concern for the political and intellectual base. They do not conduct a sensible cadre policy in order to prepare the new young people to assume responsible positions. They forget that discipline and loyalty should be based on deep understanding and trust between leaders and the co-workers who support them. Overblown ambition is likewise one of the reasons that, among so many rightist groups that adhere to the same ideological principles, there are so few people who manage to come to terms with each other, to work together and unite. That hinders the practical application of the well-known maxim that is invalidly attributed exclusively to the left, that it is possible to march separately, but we must strike together. We should also emphasize that the divisions occurring in the right are a real scandal for society and that they validate the mistaken notion that, in the world of politics, there is no room for upright, honest people.



### Thoughtlessness

Unfavorable results are further exacerbated by a third sin: political thoughtlessness. Within parties and groups, there is a lack of decisionmaking centers to plan activity over the long term and to set up the chessmen and pawns on the political chessboard. The game goes on rather through the force of inertia. It does not consist of ousting an opponent from his occupied positions but, rather, of occupying an area not yet taken over by him. Sometimes the other side makes mistakes, but, even then, full advantage is not taken of such errors. No political weapons are used to make possible a quick analysis of the situation and the appropriate reaction. That reminds us a little of a cottage worker competing with a modern, automated factory. Thus, it is no wonder that there is a lack of clearly and concretely formulated political programs directed toward a specific electorate because there is not even any identification of the attitudes and views occurring in society. The lack of such programs is, in turn, the cause of domestic struggles between factions in rightist groups. The division into party wings is not bad if conditions exist for discussion within parties. But it is not possible to discuss or consider various tactical moves if the goals to be achieved are known only to several leaders of a given group and, added to this, if they are goals they have only in their heads. That creates a natural source of friction between factions and weakens the party.

### Naivete

The lack of a professional approach to politics makes the fourth sin of the right naive. Thus, it is naively assumed that certain events cannot occur because they are simply impossible. Meanwhile, in politics, there are not impossible things. We are convinced of that time and again with our own eyes. When such things occur, naive politicians find an excellent explanation: "It was an accident." And soon they again predict that it is impossible for someone to lose in an election, it is impossible than an unexpected coalition will arise, and it is impossible that a certain politician will turn out to be a person without scruples, moral principles, and honor. Meanwhile, on the other side of the political scene, the experts on practical materialism, using a computer, statistics, and polls, the achievements of sociotechnology and cybernetics, laugh up their sleeves at the "political Gypsies." Such a situation occurred, for example, when the PC [Center Accord], without studying the social foundation, began a campaign to rehabilitate Colonel Kuklinski. One can readily imagine the joy and triumph of the followers of the SdRP when the results of a poll showed that General Jaruzelski has a better record in society than Col. Kuklinski.

### Inconsistency

The next sin, the fifth one plaguing the right, a lack of consistency, has a particularly lamentable effect on politics. The results of long-term, hard work are often destroyed because, at the decisive moment, someone has

vacillated about dotting the "i." Moreover, that is related to the previous sin. Because the approach to politics is not completely professional and because the tools available to help evaluate the results of decisions and the way society will receive those decisions are not used, only intuition remains. And, as everyone knows, sometimes intuition fails. Thus, it comes as no surprise that the politicians of the right are often hampered from consistent decisionmaking by the fear that their intuition will fail them at such a time—hence, so many unused opportunities to bring matters to closure and to achieve final success.

### Desistance

The sources of the next, the sixth sin, abandonment, are similar. Because we lack knowledge about the probable consequences of our actions, it is easiest not to do anything or to do only what is required by the situation. For that reason, long-term offensive strategies and programs based on the mass acquisition of new supporters are not generated; the aim is merely to defend one's possessions. That is also why the Polish right feels better in opposition. It is easier to torpedo the efforts of the competition, ferreting out its weak sides, than to formulate and force through one's own, positive propositions. It is easier to be occupied with detailed matters, even if they are extremely important [sic!], than to create and implement successfully holistic, expansive ideas. Hence, whether in the government or in the parliament, the left does not encounter major problems in taking the initiative. Those are charges which may be made, for example, against the leaders of the ZChN, who, it appears, cannot fully take advantage of the possibilities afforded them by their entry into the government coalition with the UD and the KLD [Liberal-Democratic Congress]. We may have the impression that the ZChN does not have a well-thought-out plan of action for strengthening its position (and, thereby, the position of the right) on the Polish political scene. Likewise, it is not evident how that party wishes to eliminate the danger that it will become a scapegoat if the government's mission fails. On the other hand, both the rightist opposition of the RdR and the PC, embroiled in a destructive argument with the president, is not making attempts to create a rational political and program alternative to the present government.

### Lack of Faith in One's Own Abilities

The seventh capital sin of the right is a lack of faith in its own abilities. The right has yielded to pressure from the mass media, which is directed by the left, and it has been talked into believing that it is dumber, less skillful, and worse prepared to govern in Poland than is the left. That leads to self-limitation by the right. Activity is carried out on a smaller scale in an attempt to avoid from the outset imaginary criticism that the left might attempt to generate and disseminate through the mass media. A lack of confidence is the reason that until now no rightist groups have formulated a bold but realistic program for the majority based on gaining at least 60 percent of the

votes in the election (and not 10 percent as at present) and on decisively taking control in Poland.

Of course, some of the sins described apply not only to the right but also to the Polish political elite in general (but let the left worry about itself). And, although a black picture of the right side of the political scene has been drawn here, that is because it is high time that a well-wishing person of rightist orientation poured cold water on the impassioned heads of rightist politicians. It is time to stop complaining about how difficult it is to be rightist in Poland and about the difficult conditions under which we must labor. We must face the truth boldly and admit that the true reasons for the bad situation of the Polish right lie primarily within that orientation. Unless we define those reasons and eliminate them once and for all, the political struggle with the left will continue to remind us of a battle with windmills. If that internal source of evil could be eliminated successfully (or at least restricted), then, regardless of its majority, the left could still lose the battle for Poland.

The Polish right still has a chance to respond to the challenge confronting it.

#### \* Statistics Show Further Increase in Poverty

93EP0254B Warsaw *TYGODNIK SOLIDARNOSC* in Polish No 18, 30 Apr 93 p 19

[Article by Katarzyna Klukowska: "Sad Statistics"]

[Text] We are becoming vegetarians not by choice but out of necessity. It is also out of necessity that we are abandoning food for the spirit more and more: the theater, films, and museum excursions. An organized rest is becoming an unattainable dream for a greater and greater number of workers and their families. Chasing after fashion, given the need to save the soles of one's shoes (because we do not have enough for new shoes) seems to be an untimely joke. The gap between the living standard of the poorest and the richest is widening.

On 15 April, a news conference was held in the Central Office of Statistics [GUS], devoted to the living standard of people in 1992. Optimism was not engendered by the preliminary assessment, presented by Prof. J. Kordos, vice president of GUS; W. Lagodzinski, the deputy director of the Department of Social and Demographic Studies; and A. Kienkowska-Szukielajc, chief of the Section for Analyzing the Living Standards of the Population in the same department.

In almost all groups of households, real income declined by comparison with 1991, from 2 percent to 7 percent. The greatest decline was noted in households of pensioners and annuitants, and the lowest decline was noted in worker-peasant households. Meanwhile, in peasant households, real income increased by 3 percent. This minimal growth falls within the bounds of statistical error, however.

Average per capita income was lowest in peasant families (approximately 1.2 million zlotys [Z]), while worker families showed the highest incomes (approximately Z1.4 million).

Statistics makes use of generalizations, of which reality is not fond. Meanwhile, reality is becoming more and more differentiated. The gap between the poorest and the richest is widening drastically (the incomes of the latter were, on the average, fourfold the incomes of the poorest households). In worker families with the highest incomes, the average monthly per capita income was Z2.5 million, while monthly income in the poorest households did not exceed 650,000. This emanates from the fact that the statistical worker group encompasses both large family households from small towns plagued with unemployment and the households of prosperous businessmen in large cities. In the worker group, highly placed state officials are rated together with municipal employees. For this reason, the statistical "mean" does not yield an objective picture of the real incomes of Polish families.

The most important factors that made up the social-living situation of Polish families in 1992 and that will continue to do so were: unemployment, the growth rate of emoluments, the price movement of food and services, the housing situation, and changes in the social services sector, especially in education, culture, and health protection.

Unemployment has had a very vital impact on the living standard of the poorest families. Almost every fifth Polish household was affected by it, including every third multichild family (more than six persons in the same household). There was a concentration of unemployment in small towns, where it began to assume the character of a lingering phenomenon affecting young people, in particular, with vocational or post-high-school educations.

Another factor that worsened the living standard of society was the growth rate of emoluments from the 1992 decline. We ended the old year on an optimistic note of wage and pension and annuity increases, amounting respectively to Z2.5 million and nearly Z1.5 million. The beginning of the year brought a jump in prices for some food items and services. That price movement, however, was not correlated with wage movement, which led to a decline in consumption. The housing situation also worsened: Approximately 2.9 million people waited for housing. Of these, 2.5 million were waiting for an "M" cooperative.

Changes also occurred in education. The erosion of the system of preschool health care was noted; more than half of all children were left out of the obligatory preschool. Meanwhile, the number of young people in general-education schools rose.

In the field of culture, movie theatres in rural areas and small towns have practically disappeared. Fewer and fewer people take advantage of cultural offerings such as

exhibitions, film showings, and theatre performances, and those who do go attend less and less often.

In the area of health protection, the number of consultations granted in outpatient facilities has declined, although the number of doctors has increased insignificantly. This emanates from the fact that the simple consequence of a doctor's visit is the need to fill a prescription, which is difficult, given the current prices of medicines.

The general conviction is that it is easiest to save money on food. Thus, the average Pole ate less meat and meat by-products and fewer fats (especially butter) and drank less milk. Only the consumption of fruits, noodles, and potatoes rose. But, because the official prices of natural gas, electrical and thermal energy, and rents rose four-fold in the course of a year, it is not enough to become a vegetarian. The need to make "fixed housing payments" necessitated cutting the costs of clothing, cleaning supplies, and medicines. The increase in outlays for transportation and communications has exacerbated the difficult situation of the poorest families in all groups of households (except peasant households). A 68-percent

increase in the price of services has caused a change in consumer behavior: We make less and less use of cleaning establishments and barbers and beauty parlors.

No decline in the consumption of any food items has been noted among the wealthiest households. The richest households spent three times more than the poorest households on food, and from two to eight times more in services. Those disproportions have deepened compared with 1991.

In the context of the research results, interest in goods offered by merchants from the East comes as no surprise. Those goods, while not competitive compared with Western products, are competitive in terms of price. Because even the poorest person must "spruce up" from time to time—get a new shirt or shoes—purchases from the Russians are the only resource for meeting basic needs.

The assessment of the living standard of the Poles presented by GUS is of a preliminary nature. A complete report on the level of poverty in Poland is expected in mid-May of this year.

**\* Removal of Subsidies, Reform Prospects Viewed**

93BA0962A Bucharest "22" in Romanian 22-28 Apr 93  
p 12

[Interview with Eugen Dijmarescu by Rodica Palade; place and date not given: "In the Opinion of Mr. Eugen Dijmarescu, Where Will the Removal of Subsidies Lead?"]

[Text] [Palade] Mr. Dijmarescu, please try to define what subsidies mean in terms that everyone can understand.

[Dijmarescu] The easiest way to understand what subsidies mean is to say that each of us would pay more taxes in exchange for the (lower) price of certain products or services. However, this actually means a transfer from those with more efficient economic activity to those with less efficient economic activity. Subsidies (this expenditure which the state budget covers for household consumption of electric energy, bread, subscriptions, milk, butter and so forth) actually mean an amount of money provided from the budget of the enterprises producing or supplying these goods and services in order to cover their production costs. These enterprises and people working in them actually have fewer rights to invest, to develop and to introduce new elements into technology than those for whom the prices really are in agreement with costs. This transfer is currently being carried out from the budget and the budget is a receptacle of funds from the population and the enterprises. So this price, which will appear after 1 May 1993, essentially is not being changed. It is just being changed for the individual purchaser. The budget is covering this difference right now and for this reason additional taxes or taxes from the profit of the enterprises producing profitably are being levied on the population.

[Palade] What will be the situation of the unprofitable enterprises after the subsidies are removed?

[Dijmarescu] We have two categories of subsidies in the economy: subsidies for household consumption and the population's consumption through public services (for example, transportation services) and subsidies for the actual economic activities. The case of these unprofitable enterprises we are talking about enters into the category of subsidies for economic activities, while these enterprises, according to the opinion taken by the government in its strategy for reorganization and reform, normally should enter a phase of financial reorganization, that is, recovery of their financial results. But this recovery also involves changes in the structure of production. Under these conditions, some of them would even have to close, because actually they cause endless losses in the economy because they do not have a market and only produce stock without the chance of selling their goods. If this policy of subsidizing unprofitable activities from the budget continues, they will be kept alive forever.

[Palade] How do subsidies for the unprofitable enterprises fit in with the structural adjustment which Misu Negritoiu has emphasized?

[Dijmarescu] I know that Mr. Negritoiu talked about this matter, including in "22." But there is another problem: I have not seen any correlation between the reform strategy and the budget. And here I ask if Mr. Negritoiu, who, so to speak, heads the team which worked out the strategy, is part of that same government that published the draft budget law.

[Palade] How can reform progress be ensured if there is no agreement between the reform strategy and the draft budget law?

[Dijmarescu] The origin of the motion for censorship consisted of this. At the same time the government also gave Parliament the reform strategy and the draft budget. The draft budget is the program of specific measures which the government intends to apply. But we find no initial correlation between the strategy (which provides for reorganization of the unprofitable enterprises) and the budget, and we should know what the government's real option is. The volume of subsidies for economic activities (including for these unprofitable enterprises) is greater than the volume of capital expenditures which the budget wants to make this year. In other words, the effort to maintain lack of profitability is greater than the effort to support reorganization. This was the rationale behind the motion for censorship. However, returning to the other part, to the subsidies for the population, the volume of subsidies forecast in the budget for four months is just a little less than the volume of subsidies given to the population for the same goods and services for all of 1992. And in 1992 we had to cope with a 200-percent inflation rate. This year, at just as large a volume of subsidies for four months, I am afraid that the inflation rate will be much higher, at least the one that the government perceives in view of the budget.

So, in my opinion, the consequences after 1 May will be a considerable lowering of the standard of living—thus, of the population's purchasing power—as well as of economic results. And I will tell you why. The government has specified that everything to be removed as subsidies for the population on 1 May is to be compensated for in its entirety. I wish to say that this will occur exclusively in the initial phase. Because in the two months following 1 May or until the end of the year we will have to cope with price changes in the economy which, according to the government's view, will lead to an adjustment in purchasing power. So the gap between prices and salaries will widen.

However, there also is another aspect. If this volume of subsidies, forecast for four months, which, I would say, is very close to that of all of last year, is not entirely consumed for the first four months of this year, January-April, that means that a very large portion of it, or at least a portion of it, will be redistributed after 1 May in



other areas of budget expenditures but areas that surely will have the same goal: not that of investment, but still of covering losses or unprofitable activities. So an indirect form of subsidies will be kept and we will also have unprofitability supported by a law.

[Palade] Since you were part of the first cabinet which began the reform, do you see another solution?

[Dijmarescu] We began price liberalization in November 1990. Although disputed, this process was needed. We are no longer in the CEMA system; we are no longer living under a planned economy. As a result, we must gradually eliminate subsidies from economic activities. Later, of course, two factors intervened, which impacted on the volume of subsidies or lowering of the purchasing power of the national currency: depreciation of the exchange rate of the leu on one hand and, on the other, the inflationary process itself. We made a number of calculations indicating that by the end of 1991 the real component of liberalization—thus, that which aimed at eliminating subsidies—brought about only a 33-percent rise in prices.

[Palade] Didn't the team you were part of somehow act rather slowly? In 1991 Mr. Stolojan was minister of finance and he resigned precisely because the removal of subsidies was not operating faster and more categorically.

[Dijmarescu] I do not feel it was too slow. These enterprises with losses we are talking about today also existed then. At the beginning of that new life, if this elimination of subsidies had been produced radically (as occurred in the Czechoslovakia of that time, or as occurred in Bulgaria), actually we would have put these enterprises on the stocks again. I did not favor a shock transition, believing that we were giving a greater opportunity to these enterprises to become revitalized.

[Palade] Specifically, how did those bankrupt enterprises whom you gave a second chance work out?

[Dijmarescu] Well, actually, Law 15 states that once there are more than three producers, market prices are to be negotiated. The flaw was that this negotiation took place between the three producers or the seven producers while negotiations did not take place between the three producers or the seven producers and the beneficiaries and the purchasers, which would be trade, and the various enterprises which had appeared in their incipient phase as private enterprises, plus the consumers's association or the association of those aimed at quality supervision and so forth. The three enterprises acted as if there still existed a center as part of the same alliance and, as a result, they negotiated among themselves, actually agreeing on the price, generally at the highest level, and imposing it on the buyer. This caused doubt about how strongly Romania was committed to the road toward a market economy, because actually this position undercut the best chance the market economy had to

advance somewhat faster. That is how we arrived at this galloping inflation, together with a lowering of the exchange rate.

[Palade] Mr. Dijmarescu, wasn't the Roman cabinet also afraid that it would alienate the electorate by applying shock therapy?

[Dijmarescu] I want to tell you that, at least in this part of the government, we were not afraid of this. We knew very well that the faster we acted on certain matters, the less suffering would be. This also was the reason we held back on the strategy which had been worked out by Mr. Postolache and we supported speeding things up, but actually this is what happened. A number of government decisions we issued at that time in a legislative vacuum began to be contested because they were not applied in practice. People were being led according to what they knew from many years of bureaucratic experience but at the point at which we said that a law issued by Romania's new Parliament or a government decision is the one which should be applied. Right way there were concerns that instructions must be issued for each one of them. People did not understand then that the simpler the law the greater the decisionmaking freedom, but at the same time the risk increases. This is what blocked us. I confess that at that time we at least felt rather isolated before Parliament and before society.

[Palade] I would like to explain your "isolation" at that time: You completely lacked transparency and everyone saw you as a discretionary power.

[Dijmarescu] Yes, I know. Now they say that this is the first time a reform strategy exists in Romania. Even President Iliescu and the prime minister said this and, curiously, the latter was placed in the same spot we were before. Referring to the archives of that government, the current cabinet could find that two documents existed at least in the same volume and perhaps with the same names (at that time they were not made public or mediated or discussed in Parliament despite the fact that they were in the hands of all Parliament members and also had been handed out to the press). However, I think we were too much at the beginning and did not know how to carry out mediation.

[Palade] Now you are with the opposition. The population does not look kindly upon the removal of subsidies. What position will you take if there is social unrest?

[Dijmarescu] Nothing would be accomplished in Romania by taking to the streets, only through dialogue. I think that Romania's trade unions have grown a lot politically and can be a real social partner both for political parties and the government.

I think we should discuss an alternative formula for the consequences of these subsidies. Perhaps it was here that at one point we interrupted our dialogue. It would not be desirable to partially or completely eliminate subsidies, but rather to make certain revisions which could be



made in price policy and tax policy. Because the subsidies eliminated now, with compensations and indexing which will be supported right away by the enterprises' costs, will mean that their profits will fall. And in order not to find themselves in this situation the enterprises will force new price increases, new indexing, more price increases, and a continual spiral. We must revise the way in which prices are generated from the viewpoint of the effect of imported crude oil and natural gas which, together with domestic gas at much lower cost, could lead through a level-headed average to a lower pressure on prices. So we could eliminate subsidies, but at the same time we would not be giving just monetary compensation to the population.

This is one aspect. The other is aimed at economic activity. I am not satisfied with the assertion that Romania's taxation level is at the European average. First, Romania economically is not at the European average. And then, in order to reach this average, I would prefer to tax less in order to generate somewhat more profit which would be invested. But this is a view which the current government does not explicitly have.

Third, here is the other problem: How much longer should we put up with expenditures to cover general expenses for enterprises which do not produce anything or which do not produce anything that can be sold. The Law on Bankruptcy was sent to Romania's Parliament in March 1991. It is more than two years since then and the present government says it has sent the Law on Bankruptcy. Actually it took it, reviewed it and resent it. The question is: Will Parliament have the courage to discuss it? Because it is true that this is a Parliament where the opposition represents 47 percent, but 47 percent is not 53 percent. And it is the 53 percent which decides.

So if we were to make these revisions, the elimination of subsidies would not be just a misfortune. It also would be an opportunity for the ordinary person to become convinced that, even by eliminating these subsidies and paying more tomorrow, three months or six months later 100,000 jobs would be created. This would be a prime indicator.

[Palade] So I understand that removing subsidies as conceived by the current government can only be bad.

[Dijmarescu] I am afraid I cannot disagree with you.

#### **Removal of Subsidies Seen as 'Necessary Evil'**

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p 5

[Article by Ilie Serbanescu: "The Chance To Be Free of Inflation Must Not Be Missed"]

[Text] In the last issue of the magazine we attempted to argue that because the half-measures adopted until now through a reform based on political considerations are coming to a head in the economy at the present time, the sole chance for order, revitalization, and efficiency is

represented only by regulatory constraints on the market economy, even though many don't like them very much, constraints which are nothing more than the freedom which the latter implies, but which act one for the other as factors that compensate or stifle excesses. In concrete terms, this means the almost simultaneous introduction of a package of correlated measures which will complement the operation of market institutions and mechanisms, or in other words, which will assure that all freedoms-constraints on the market economy will manifest themselves. In this context, the state seeks to pursue necessary corrective interventions likely to result in success, but in no case attempting to assume a role of regulator as a substitute for one or another of the freedoms-constraints, lest it destroy the balance which must exist and thus risk creating a wound elsewhere without even the certainty of having mended what was already torn.

The planned withdrawal of price subsidies on 1 May from the latest products and consumer services, offers not only the opportunity, but in a sense also constitutes the advancement of huge stakes for the above-mentioned package of measures.

#### **Separation With No Regrets**

The removal of subsidies would mean the first act brought to a conclusion through reform: the lifting of state controls over prices. You can't have your cake and eat it too. The partial and gradual liberalization of prices, regardless of pros and cons, has had consequences which supporters of this approach would be hard put to deny: It has produced a cumulative increase in prices greater than that which would have occurred with a one-time global liberalization. Prices snowballed, not only as a result of each stage of liberalization, but also in anticipation of the next stage. Moreover, when price liberalization was not associated from the start with the liberalization of "the price of all prices," meaning the rate of the national currency, we entered a vicious cycle due to an out-of-phase condition: because an increase in domestic prices means a depreciation of the leu, it results in its foreign devaluation, which in turn increases the inflationary pressure through higher importation costs, causing another devaluation, and so on. Due to the price explosion (at least partially self-fueled), what remained to be supported by the budget after each stage of liberalization, in which some fraction of support was withdrawn, was enough to exceed until the next stage the total amount of the previous support. Nearly one-third of the budget was taken up by price subsidies, at the immediate expense of all investment allocations. And a sort of inflationist psychosis became established for the population and for economic entities, with the "next liberalization stage" constituting a concrete threat of a new wave of price increases; not to mention that any price subsidy gives equal consideration to the millionaire and to the poor retiree, thus representing a false social protection. In the meantime, the mafiosos in the state system, with the backing or behind the screen of private companies, filled their own pockets from subterfuges

paid by none other than the population through the state budget, in the form of price subventions, as has happened with meat, wheat, and sugar, which have been and are making headlines in the pages of corruption and disintegration.

#### **Shall We Criticize or Support the Government?**

This is why the measure to remove price subsidies, despite the distress it will cause, must be welcomed as a necessary evil and a key element in the reform. And this is why the government which dares to take this measure—the current one, in this instance—must be supported. The situation that we have reached is ludicrous indeed. But the current executive branch, harshly and justifiably accused until now of blocking the reform, is nevertheless buffeted from all sides precisely at the time when it would undertake the only concrete and useful proreform measure so far. Independently of the political shade of the government in power, the measure in its absolute terms, should be taken. The intervention of some of the unions is understandable solely in its social sense, as eventual pressure to obtain the maximum protection possible. But it is not surprising that that which is beyond the possible within a reasonable framework, or that which would imply a return to a counter-productive centralism, can be suspected of attempting to block the reform. A clear distinction is needed not only between that which is and is not possible, but also between that which is pinning us in place without any chance of finding a solution, and that which despite the pain can lead us forward.

The purpose of the opposition is certainly to criticize those in power and to exploit their mistakes. But in the case of price subsidy withdrawal, it is not the government, and even less so the measure itself, which should be incriminated, but rather the half measures at reform used until now, which have created inevitable anguish, as well as the populist promises with which the current political forces in power have won elections, but which they could not fulfill because they had no economic foundation. The opposition must now gain its adherents precisely by insisting that in the electoral campaign it did not play on empty promises, and certainly not fall into the temptation of even suggesting that the removal of subsidies would not have been adopted had it been the party in power, because it would have not only been against the reform, but also because that would not even have been possible in any case.

#### **Against the Depreciation-Devaluation Vicious Circle**

However, serious pressure on the government is necessary in order not to give in to populist appeals, even those made after 1 May, and especially in order not to attempt further half measures or centralized state efforts that would lose the huge stakes represented by the withdrawal of price subsidies for the latest products and consumer services. Insofar as the effect of this withdrawal would probably constitute the last wave of price increases, which in principle would conclude the painful

cycle that was said to be a "corrective inflation" after being controlled for several decades, it must be accompanied by firm measures to assure at least that the monthly "two-figure" deterioration in the cost of living is finished, that a slide down the ruinous slope of South-American-style inflation is avoided, and that we will reach tolerable price increases of 25-30 percent per year.

For this purpose, it is essential that the price increases created by the withdrawal of subsidies be associated with the similar effect caused by the economy's absorption of the new devalued currency rate for the leu, so that we will not wake up one or two months later with serious price increases resulting from this absorption, which mean nothing more than the "diffusion" of higher importation costs into the machinery of domestic prices. What is more, to the ends mentioned above, the assimilation must be anticipatory, meaning that it should take into consideration from the start the predictable decline in the leu's rate, created by the price increases resulting from the withdrawal of subsidies as well as from the repercussion of this drop in a new price increase. In practice, this means the concrete introduction on the banking market of a rate similar to, or even higher than that of the black market, and in parallel, the advance inclusion of the predicted effect of this devaluation on domestic prices. We would indeed find ourselves face-to-face with a sensible increase in general prices, but it would be the only solution for breaking the vicious circle of the leu's domestic inflationary depreciation-foreign devaluation, a vicious circle from which otherwise we risk to never escape. There would be several definite advantages. Since it would also bring to an end the liberalization of the national currency rate, we would also conclude the "corrective inflation" echoed from the massive devaluation of the leu. Insofar as the inflationary cycle resulting from a gradual abandonment of price subsidies would come to an end, it is almost certain that it would substantially temper, if not quasi-stop inflation. This would also create conditions for a "cold-start" attack against the difficult problem that can be solved only on a long term, or the existence of a nonviable segment of industry, which is also the structural root of Romania's inflation, and whose maintenance is being paid by the population precisely through inflation ever since the price valve was opened.

#### **Integration of Currency Market and Executory Payments**

In order not to dissipate the nearly certain results of inflation tempering obtained by the measures mentioned above, at least two measures are needed in the coming months. On one hand, continue the anti-inflation monetary crusade by establishing a draconian discipline—consistent of course, with current regulations, and in fact normal in any market economy—in payment discounts and credit approval: payment instruments that are legally executory for creditors; positive real interest; isolation of those who have bad payment records so as to avoid financial blocking.

On the other hand, decompartmentalize (integrate) the bank currency market by dropping the current practice of covering currency demands for customers only at the prices offered by the bank in which they operate, which prevents the formation of a true interbank market and thus a relevant exchange rate. Similarly, the negotiation of a foreign loan with special destination does not appear to be an alternative for rapidly creating the currency reserves needed for the present policy. A new system of social protection must be instituted to replace the salary-price indexing mechanism which is unavoidable right now, but which should be dropped at the first sign of major success in the fight against inflation, exactly because the mechanism in itself in fact maintains the inflation. The fundamental criterion of such a new system must be the orientation of social assistance toward the underprivileged (unemployed, retirees, low income workers).

These are a few of the essential measures aimed at macroeconomic stabilization and at confronting the major imbalances inherited from the Ceausescu management or caused by the reform, independently of whether they are inherent or resulting from mistakes in the reform. These measures must have absolute priority, because without them the economy cannot move out of its quagmire, and the reform does not have any prospects for facing handicaps that are difficult to overcome.

#### **It Is Different But Bad**

Of course, it is also possible to proceed otherwise, continuing the half measures after the withdrawal of subsidies, which would remain a sort of exception to the rule in the indecision about the reform. But what is much more certain, is that we will not get rid of inflation, and at the same time will also lose the chance offered in this respect by the withdrawal of subsidies. We need not dwell on the need to throttle inflation; no true reform can be undertaken in its presence. Moreover, inflation makes the reform socially unacceptable. An economic revival is also not possible, because inflation discourages savings and thus the creation of resources for investments. Inflation discourages investment activities as such, as well as the pursuit of credit for that purpose. In an inflationary climate, budget incomes are uncertain and costs are affected by the decline in real value. That is why the chance offered by the withdrawal of price subsidies to finally break the vicious cycle of a ruinous inflation must not be lost. Although probably, it unfortunately will be.

#### **\* Vacaroiu Reform Plan Prospects Discussed**

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p 5

[Article by Ilie Serbanescu: "With Three Governments in the Executive, Who Will Apply the Negritoiu Strategy?"]

[Text] At a recent meeting of the Romanian Economics Society in which the government economic strategy was discussed, one of the ambassadors of the Western countries, who was among those invited to the debate, made a point that merits consideration: From the experience of their own countries it has been proven that what counts most for an economic program is not how good it is but how applicable it is. Of course the ambassador did not go into specifics. We do not know what precisely he had in mind—probably he was speaking in general terms—but without a doubt it concerns the current executive program. This latter, despite some definite inconsistencies and contradictions, is proreformist and does not merit the fate of being simply tossed into the trash can that some representatives of the opposition have reserved for it.

But the chances of applying this program are questionable. It was worked out by the Negritoiu team, a relatively restricted group of reformers and one that is far from setting the tone and making the plays in the current executive, whose principle, it seems, has the full support of President Iliescu, namely, the idea that even if reform does not really have to continue, any government will have to put on a good reformist face in Romania and an even better one abroad.

Mr. Vacaroiu complained that in Romania there are now "three governments," as if exhibiting a certain nostalgia for a single higher leadership of party and of state. Still, these three centers of executive power in the economic domain are not only in perfect accord with the laws in force, but are also absolutely natural:

- The government, representing the state as public authority, including the role of regulator of economic-social processes via fiscal, budgetary, social, industrial policies, etc.
- The State Property Fund, as representative of state ownership, general administrator of the still, unfortunately, predominantly state-capitalized economic enterprises that are supposed, in principle, to be privatized; and finally,
- The National Bank, the institution responsible for monetary policy, for credit and for the exchange rate and which, as a central bank, is and must remain independent of the executive, precisely as a guarantee, among many other things, against serious distortions that could result from the temptation of the latter to finance expenses beyond current income by issuing currency for which there is no backing.

Mr. Vacaroiu might thus rather be concerned about the "three governments" within the executive itself, among which is the one he has in front of him, the other two being the team of Mr. Negritoiu and the staff, playing the role of a state within a state, of Mr. Hrebenciuc, who is much more than the general secretary of the government.



### Controlled Economy Temptations...

It is not clear what is the connection between the program worked out by the Negritoiu team and the other two "governments" of the executive. It is possible that even many full members of the executive have neither thoroughly read the provisions of this program nor know the exact implications of the application of some of them, with the idea that there is still time before the practical measures, and that with regard to concrete deeds, "we will see what we will do then," especially since "the dogs are rabid at first" or, in other words, "what they say does not count, we do everything we want to."

For the time being there is no indication that the other "governments" are making any kind of effort to "implement" what we will call the "Negritoiu program," especially since up until now the absence of a program (or, if you will, the strategy for a program) has been used by those in the executive who are not working on concepts and strategies but rather who are in charge of the current operational decisions, to impose the stamp of centralized control on concrete measures. Various ministerial orders have, as a matter of fact, eliminated, via bureaucratic approvals from the center, any initiatives of their own on the part of state enterprises, despite administrative autonomy conferred by law.

According to some governmental decisions concerning the functioning of the Ministry of Industry, the latter represents the state in the capacity of stockholder of state capital commercial firms, which really means the annulment of the provisions of the law regarding the functioning of commercial firms and privatization, as well as the creation of an aberrant situation in which the Industry Ministry argues with the State Property Fund over the ownership of some portfolios that otherwise do not exist. Also significant is the case of the decision to obligate economic agents to have a single bank account. With the aim of combating so-called financial blockage—existing bankrupt state enterprises which write their debts in one bank account and their actual receipts in another—a mortal blow is struck at competition, otherwise weak, which seemed to be recovering on the credit market. At a time when there is clearly little motivation for the state to be able to discover the real situation of the enterprises from their own internal records, economic agents are tied to the homeland through a single account like bondsmen, as they say, while the banking market is abolished. Nor should it be forgotten that the government was just a hair's breadth from reinstituting the requirement that economic agents cede a part of their foreign currency receipts upon entry into the country for lei at the daily exchange rate. And it is not known if this intention has been conclusively buried.

### ...And the Program's Prospects

Thus, in the Vacaroiu executive the temptation of a controlled economy temptations still holds some allure.

It is absolutely certain that this could raise the degree to which the government will be faced with rising economic difficulties. It may be that the main problem the government program raises consists of the contradiction between its essentially liberal content and the statist-type measures with which the executive has thus far tried to deal with the challenges of the economy. Putting aside the stipulated implication of the state in the restructuring of "enterprises with problems," (a necessary and welcome intervention if it has the goal of, and will end in, purging the nonviable industrial segment from the economy), one can certainly affirm that, despite some prostates echoes present in the program—such as continued "centralization" of the process of privatization instead of "privatization" of the latter, the attempt at excessive control even up to the point of external financial assistance for stimulating the development of small and intermediate private enterprises, the tendency for the government to take over the role of the State Property Fund in restructuring enterprises with state capital, the provision of direct and indirect advantages to these enterprises relative to private ones in taxation, etc.—the Negritoiu team has still been successful in establishing the maintenance of some noncontrol pillars in governmental strategy: free prices (without administrative control and subsidies; a foreign exchange rate based on supply and demand; real positive gains (i.e., beyond the rate of inflation); and the restructuring of viable state enterprises or those with chances for rehabilitation by taking into consideration the market forces and the banking system through credit policy. All of these are, for the time being, still on paper....

So, what will happen in practice? The situation created in the wake of the hasty introduction by the opposition of a censure motion against the government means a strengthening, if only by a closing of the ranks, of the positions of those, not only within the executive itself, but also outside it, who are not partisans of reform but, rather, reject it. More concretely: To the extent to which it is not the program itself that is important, but rather its unfolding, the relevant laws and regulations, or those associated with it, acquire a significant role.

### The PUNR, the PRM, and the PSM Are Expecting Their Share

If the censure motion had not been introduced, the opposition in Parliament could have adopted a case-by-case approach to these laws and regulations. In other words, some attempted proreformist laws and regulations might have passed, through the contribution of the opposition itself, as, for example, was the case of the amendments to the foreign investments law. Now, however, because the opposition, through the censure motion, has restricted the program, it seems somewhat constrained, at least for the sake of its own credibility, to express itself in the same currency with regard to the relevant laws and regulations. The antireformist allies of the FDSN [Democratic National Salvation Front], [PUNR, Romanian National Unity Party; PRM, Romania Mare Party; PSM, Socialist Workers Party]

thus knowing that the passage of laws by the Parliament from now on depends exclusively on them, will demand their share. The process is natural and has begun. For the time being payback for the support of the FDSN consists of positions and functions in the second and third echelons of the executive, central, and local administration. But the time will soon come when more significant payback will be demanded, and then one of two things will happen: Either the government will no longer be able to be exclusively FDNS-ist or notable reductions will be made in the reform program. Over the course of three and a half years, the reform program will take off in earnest, and the opposition will have no choice but to stand by, remaining, possibly, only to lament.

### Will It Escape the Millstone?

The closest test for the government program is the withdrawal of subsidies for the last consumer products and services planned for May 1. The shock that will be felt by the population despite any compensation or indexation will be powerful. It could, thus, be that the antireformists will want to win an initial significant battle precisely by social agitation. It cannot be excluded that such agitation, which seems to be taking shape, would be incited precisely to cause even a partial renunciation of the withdrawal of subsidies. Thus beyond a cheap populism, the payback for the executive would, in that case, be particularly expensive.

The practice of two and half years shows very clearly the drag on the entire economy represented by this kind of subsidy, this spuriously enacted social protection. It is not only that the subsidies treat the millionaire and the poor pensioner the same, but they also tie up the budget by immobilizing resources at the expense of allocations for investments. Last but not least, it creates the goal of the more dishonorable corruption scandals involving state moneys. The fraudulent embezzlements of meat (when some kinds were subsidized), the shady wheat auctions and the sugar scandal are all connected, one way or another, directly or indirectly, with price subsidies, in place of which another kind of social protection needs to be put into effect, guaranteeing that the assistance is really directed to the disadvantaged sectors. The culmination is that the Vacaroiu Government will tie a millstone around its neck, not deciding to face, whatever might be the possible social reaction against the withdrawal of subsidies, but rather actually renouncing, even if only partially, that withdrawal, because it would commit itself to perpetuating the vicious circle that the price subsidies represent and which for over two years have been drying up reform, constantly threatening the economy with new inflationist currencies and suffocating the expansion of productive activities in their respective domains.

### Purging of Industry—The Decisive Test

The most important test will be, without a doubt, the respecting or not of the commitment to purge the economy of that nonviable segment of industry that

constitutes, no matter how you turn it, the mother of all Romanian economic problems. It is an immense tax imposed on the population because the support of this segment by the state means that the population is made to bear the burden and does so, either directly, or indirectly through inflation. It is, at the same time, the sector from which comes the threat of massive unemployment and that is the source of generally weak economic performance in stiff international competition, including the ultimate justification for the considerable devaluation of the lei once it comes into direct contact with strong currencies. The Negritoiu strategy has begun to attack this key question, as a matter of fact, in two steps:

(1) Seeking out what the strategy calls "state enterprises with problems," the isolation of their accounts to stop them from continuing to be a source of financial blockage for the rest of the enterprises and their transparent transition to support by public funds;

(2) Working out programs that will adopt, with regard to these enterprises, on a case by case basis, one of the following solutions: public investments for straightening them out (if there prospects for doing so warrant it); clear public subsidies (if there are no prospects for rehabilitation, but the activities are absolutely necessary); elimination (including by administrative decision until the adoption of the bankruptcy laws).

No one can deny the great economic and social difficulties that the purging of Romanian industry will cause, especially the elimination of some industries, which is so difficult yet unavoidable in many cases. Unfortunately, the strategy that has laudably been employed for the resolution of these problems—and we cannot but agree that it is making a great step forward in the area relative to the programs of previous governments—is still pushing the date for the implementation in practice to at least next year, probably not daring to take the bull by the horns from the beginning. Unfortunately, the later it happens the more difficult and problematic it will be. The first phase is set for the third trimester of this year, although it is doubtful that the enterprises with problems are not already identified.

On the other hand, I know that many have come to the conclusion that about 120 mammoths and large industrial enterprises form the destabilizing nucleus. If the sectoral programs will be worked out at the same pace as the "official" seeking out—and that possibility cannot be excluded when the antireformists are making a mighty effort not to destroy the common pot of industry in which it is not known what is profitable and what is not, precisely because an incompetent oligarchy can be omnipotent—it will risk starting 1994 without even a beginning to the purge of the economy and all the respective consequences thereof. A budget closed to investments due to its blockage by some unprofitable



subsidies; accentuation of mediocre economic performance; and compromising the prospects for straightening things out, interrupting the flow of external financing.

Although it has "three governments," the current executive does not have to lose the chance to start the restructuring of industry on economic criteria. It moves as if it is of the Left and, in any case, it has the parliamentary support of the Left. It is precisely the Left that is better situated to attack and resolve this mother of all problems. Since one could bet that if, hypothetically, a government, let us say, of the Right were to take up such a task, it would likely do it with a lot more determination and conviction and probably a lot better, but as soon as it started it would sober down with wide-ranging objections that would reproach it for putting our splendid industry in the stocks.

The polemic concerning Romanian industry is missing the point: It by no means represents just old beasts, but it cannot be splendid either. Supposing, contrary to all reason, that in a decade and a half it is at the peak of world engineering—obviously an unreal hypothesis—it would have gotten there somehow antiquated physically and morally because we all recognize (reformists and antireformists) that from the beginning of the payment of external debts, Romania has been technologically decoupled from material progress on the international plane. A decade and a half already into the era that used to be called, and I do not know why we no longer do, "the scientific-technical revolution," this is overwhelming and decisive.

Whether we want to or not, whether we like it or not, we have to look reality in the face and detach ourselves without regret from that which historically has served its time, and no longer prevent ourselves, through the losses suffered, from moving forward.

#### **Fraudulent Dealings of Pooltec Company**

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Romanian 25 Mar 93 p 8

[Article by Petre Mihai Bacanu: "A Romanian 'Tano' Tricks the Vietnamese"]

[Text] Readers may remember an amusing event during the revolution, when 100-lei bills backed up from the sewage system into bathrooms of some Bucharest apartments. A drain pipe was also plugged up with 100-lei bills in the same apartment building. It was not too hard for the tenants to figure out where the money came from. Their only neighbor with any real money, about 14 million, money honestly earned, was none other than Ms. Adela Papa, sister of Viorel Paunescu, manager of the 'Melody' bars in Bucharest and Mamaia and friend of Nicu Ceausescu, through whose bed the danseuses traipsed (the password with which they were presented to the man who was to die, sick as he was: "I would like to have a Savarin roll").

Mr. Paunescu was frightened so much by the Revolution that he fled the country immediately, but regretted the time spent on foreign shores when he realized that his friends and colleagues had remained in power. He came back and bought the Melody Bar. His older brother George Paunescu, experienced in foreign trade, did not pass up the opportunity and established several corporations, always out of small savings, and the Paunescu family set up in business, in grand style, with orders from the government. In a few months the Paunescu family became an empire. It exports the best goods that Romania produces and imports what sells well here: citrus fruit, potatoes, powdered milk, rice, sugar. George Paunescu even became a member of the Chamber of Commerce of Chicago (even traveling to the United States with World Bank money to buy farm machinery with a line of credit extended to Romania for the same purpose by the World Bank). Farmers need credit, not businessmen like Paunescu. The situation was different with the American corn given to producers at Constanta, when these producers were obliged to sell the corn back to the government.

And so the GCP was created as a 'small' family association. It then developed (overnight) into 'Pooltec.' We watched films with Ceausescu's money and they 'laundered' money.

George Paunescu operated initially in the field of tractor exports. Then he was head of the Romanian trade office in Milan. Some people say that he has the rank of colonel or general. In any event, he is suspected of being one of the people in charge of operations involving deposits of money deriving from Romanian exports. He also holds the secret of a large number of DSS [Department of State Security] and DIE [Department for Foreign Intelligence] accounts. He is the godfather of Nicusor Ceausescu and Poliana Cristescu. Before the revolution he was the director of the organization and control administration of the Ministry of Foreign Trade. After the revolution he started out in business with the 'savings' of Nicusor, Poliana, Gheorghe Oprea, Nicolae Constantin (former CPEx [Political Executive Committee] members), and at first also Angelo Niculescu.

We do not know what George Paunescu did in Italy, but we do now that he is banned from entering that country. When he works with Italian companies now he goes to Lugano in Switzerland, where he has a company front, Wats. There is another company front in Dublin, Longdale, the one through which he signed contracts for coal from Russia for Renel (Pooltec kept the price differential of \$2.50 per ton).

We have not been able to determine if George Paunescu obtained 200 million [lei] in credit for agriculture from the World Bank, but he definitely is winning more bids, earning commissions both from the persons receiving a bid and from the one awarding it. He has even managed to sign a profitable contract with Renel. In no country in the world does an administration grant an exclusive concession to a private company, except in Romania.

GCP-Poolgec has become an enterprise: commerce and industry, petroleum, agriculture, food products, metallurgy, real estate operations, transportation, finance, cement. Mr. Paunescu has done some intelligent thinking. He can obtain information on trade from former traveling companions. Security force General Nicolae Cocos, head of the Milan rezidentura, has made more information on trade and industry available to him. All information relating to foreign cooperation ventures and foreign companies coming to Romania for negotiations has been obtained through General Director Ungureanu of the Ministry of Industry. Information on Russia has come from Ion Avram (his daughter is a GCP employee, and part of his money is invested by GCP). Information on Belgium, Western Europe, and the EC comes from the head of the economic agency in Brussels.

The GCP has attracted all the nomenklatura hyenas to it like a magnet. GCP's metallurgical operation is run by Mr. Ghita, former Metal-Import-Export director and former Economic Agency head in Bonn. It has also attracted Ion Marinescu, former metallurgy minister (a good friend of Ion Iliescu). GCP virtually controls Romanian metal exports, to say nothing of petroleum business transactions, with camouflaged motor oil sales (motor oil exports are forbidden). A loophole has been found; the oil is sent to Italy for 'refining.'

Another Paunescu clan corporation is run by Mr. Panescu, a former Navrom representative. We will make the special acquaintance of this person in the pay of George Paunescu in this article; his name is associated with international fraud.

Mention must also be made of the Bisiic Company, which is aiming at monopoly of Russian methane gas and petroleum, and also at winning bids for providing government agencies with computers (Gheorghe Oprea's son Emil runs this department), control of cement exports by Virgil Palos, and especially arms dealing, an area in which Mr. Cocos is especially strong, one in which he has achieved a good working relationship with the Ratmil Company. Do you know what GCP has dreamed up? An ammunition destruction plant (creating a potential for camouflaged removal of weapons from the country without the consent of the Vienna Commission).

The Romanian firm of Poolgec (80 percent of its capital owned by Paunescu, 10 percent by Alfredo Amellone, former Fiat director, and 10 percent by Langdale Limited in Dublin) looked for a rice supplier (Paunescu's associate in Dublin is a company that has only one address, and not a single telephone number is known for it. This company has given George Paunescu full representation authorization and rights. In our opinion this company is used as a channel for draining foreign currency funds and profits. In other words, it is a tax evasion method and can also be used as company for laundering dirty money, maybe even money made with 'the devil's goods.'

The director of Poolgec, V. Palos, reached the Dane Jorge De Bang, who can extend credit for commodities, through YVE XIA Animal Product Company. Vietnamese rice was reached through the Tropic Dane Company. The transaction is a complicated one and we will not lead readers into the thicket it represents. Among banks the letter of credit is a contract subject to the rules of the International Chamber of Commerce in Paris (ICC-400). These rules are fully binding on the BRCE [Romanian Foreign Trade Bank] as well. What is certain is that a large amount of money was involved, \$4.6 million. Since the Vietnamese supplier has no expertise in foreign trade, he availed himself of the services of the Tropic Dane Company for this transaction. The foreign partners were annoyed by the fact that from time to time the Romanians found loopholes in the contract, but the fact that the imports were guaranteed by the Romanian government and BRCE calmed them down. When the flood of telexes about the errors 'of Chinese name' refused to die down, the partners in this transaction telegraphed Bucharest to disregard the errors, saying that everything was allright, that a letter of credit should be opened and then the rice would be shipped. The rice was shipped, the documents were sent to the bank in Hong Kong ('Societe Generale'), which forwarded them to the BRCE for negotiation and payment. Again, though, there were small discrepancies in the bill of lading, which Poolgec deliberately delayed accepting so that payment could be made. All the delays by the Romanians served a specific purpose, to have the ship reach Constanta during the winter vacation period when no one was working. And this is what happened. The ship arrived during Christmas, was caught in a storm, and did not dock until 6 January. Unloading was postponed until 19 February. The repeated delays served the purpose of preventing payment, because in the interim the letter of credit opened with BRCE had expired. Even under these conditions, according to ICC-400, the BRCE should have paid, because the letter of credit was irrevocable. In addition, Poolgec should have turned an original of the bill of lading, one of the three issued, endorsed by the bank, over to the ship's captain before unloading began. Mr. Nicolae Penescu of Poolgec showed up at the ship and presented an original, endorsed bill of lading to the captain and the shipowner, but the captain committed his only error in not stopping this document. The Vietnamese later asked the ship's agents if they had received the original bill of lading. Learning that they had not received it but had only seen it, the Vietnamese immediately became alarmed and held the captain and the shipowner responsible for surrender of the cargo to a person other than the one authorized to receive it. The shipowner also became alarmed, engaged an attorney, and filed suit in Constanta court. From the court he obtained a presidential order obliging Poolgec and BRCE to surrender the original bill of lading to the shipowners or the attorney. Amazingly, though, after receiving the Constanta court order, a BRCE vice president received the shipowner and his attorney, showed them the entire set of three original bills of lading, not

one of which had ever been endorsed, and stated categorically that no original bill of lading had ever been delivered to Poolgec or endorsed.

The amazement continued when the shipowner declared that no original bills of lading existed other than the ones currently at the BRCE, and so Poolgec had made use of a false bill of lading. We must point out to specialists in this field that it was not the captain who signed the original bills of lading in Ho Chi Minh City harbor (Vietnam) but the shipowner himself, and we must confirm that, as a matter of fact, the bills of lading held by the BRCE are the original ones. Another clarification. When Nicolae Pensecu, George Paunescu's man, presented to the owner the 'original' that was unquestionably false, the shipowner himself, although present on board, did not even look at him, because he did not imagine that such an enormity could take place. Otherwise he would have immediately seen that the document was false. Poolgec subsequently confirmed by fax (9378, 12 March 1993) to the shipowners' attorney that the 'original' presented at the ship and 'endorsed' by the bank had been forwarded to the BRCE again and was to be requested from the latter. What kind of game is this? And how are we to explain the suspicious silence of the BRCE, which the shipowners' attorney had notified on at least three occasions of Poolgec's reply in connection with the court order?

All the companies were alarmed. Those to suffer the most are officers of the company in Vietnam, a government-run company. Five men with families run the risk of spending years in prison. One of them was hospitalized. Arrests began in Saigon. Representatives of other companies involved in the affair were arrested. In addition, the Vietnamese wanted to do what was right and loaded additional rice valued at 100,000 dollars. They managed to load it one day ahead of schedule. The last straw is that the loser cannot appeal to Romania. Vietnam cannot sue Poolgec in court. The President of France, who was in Saigon, was asked for his assistance. For a country such as Vietnam \$4.6 million is a fortune, just as it is in Romania. The governments of Saigon and Hong Kong are negotiating even as you read this to see what can be done in this case of international fraud unprecedented in the world of business. Nor do our rulers imagine what a furor there is now in Hong Kong and Saigon about this matter. Dozens of experts, lawyers, of the companies involved are starting out to discover the mechanism by means of which the Poolgec-BRCE connection brought off this extraordinary swindle. Serious money is spent for these shipments. The experts of the companies involved came to Bucharest. BRCE spokesman Temesan told them that the letter of credit, also guaranteed by the government, had expired and sent them to Poolgec. "Do you realize that this is fraud?" "We do not." "How can a bank give \$4.6 million to a corporation? Are you not the ones who gave them credit?" "It has expired." BRCE director Mocanu sent them to Poolgec. No one was to be found at Poolgec. Viorel Paunescu is still to be found, at the Melody Bar. A

resourceful man, Viorel points at the person who is looking for the money without which the hapless Vietnamese, and not they alone, will be thrown into prison; he points a real pistol at him, a 'Carpati.' Yes, Mr. Viorel Paunescu took a pistol from his pocket and pointed it at the person who had come to the business partners, the persons who had invited Mr. Ilescu to the receptions.

The poor men tried to untangle the threads at Constanta. What did they find there? A document similar to the one that accompanied the rice from Vietnam, but what was involved on this occasion was a shipment from China, 12,000 tons of a value of \$4 million dollars. BRCE vice president Temesan maintained that Poolgec had no money. It is very possible that the commodity from China was obtained with the same credit guaranteed by the BRCE. Otherwise the credit amount may have been further inflated: The Paunescu family corporations received more millions of dollars, special credit. In addition, this second ship was unloaded in the record time of nine days, while the vessel from Vietnam took two months to unload. Everything possible was done to unload the freighter and not exceed the rate of 250 tons a day.

It is our belief that Poolgec did not have any money at the time the letter of credit was opened, not even the equivalent amount in lei. We want an explanation from the BRCE. How was the Paunescu clan able to get its hands on nine million dollars? Moreover, Poolgec used false documents. It was against the law for the bank to lend the bank document to Poolgec with which to unload the goods. What they had in mind was playing a trick on the captain, selling the rice, having the bank not pay, and keeping \$4.6 million. You see what greed is; for the two rice shipments Poolgec's profit would be \$7 million.

If this is a market economy, if this is the way a market economy is built, we can understand why Romania's image is not improving. This is just what we do not need, men who know how to make money by cheating someone, or rather by stealing with false documents, on our way to union with Europe.

Mr. Vacaroiu would like to have specific examples for a 'motion.' Here are some, Mr. Prime Minister, if you still say that you have declared war on corruption. However, I do not believe that you have been able to refuse Paunescu any import or export license. Let us see how you will respond to this serious case of international racketeering with a government guarantee. It is troubling, Mr. Vacaroiu; the effects of corruption are propagated at high levels. Let us hope that you have not yet been hanging out at the Melody Bar. For the time being, only the press is carrying on the campaign against corruption.

#### **The Romanian Octopus: The GCP-Poolgec Company**

- Trade and Industry
- Petroleum Industry
- Agriculture and Food Industry



- Metallurgy
- Real Estate Transactions
- Computers
- Transportation
- Cement
- Finance

### **Grigore Views Resignation, Blames Manolescu**

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[Interview with former PAC official Dan Grigore by Traian Calin Uba; place and date not given: "You Cannot Have Democracy Externally If It Is Absent Internally"]

[Text] [Uba] Why did you resign from the PAC [Civic Alliance Party]? Was it in response to a proposal from Mr. Manolescu?

[Grigore] I can tell you only how I arrived at my decision to resign. There are others involved who could give you their views on how this came about. I joined the PAC—it is more accurate to say that I participated in the founding of the PAC along with the initiative group composed of Civic Alliance founders—with the idea that we were not forming a leftist party. We were very clear, right from the start, that the solutions needed to bring our country out of its impasse were not to be found on the left of the political spectrum, rather they were on the center-right. Only now, in recent months, detecting other tendencies that do not strike me as being productive...

[Uba] How then did the party come to slide to the left? There have been reports, especially regarding Mr. Manolescu, that he leans toward the French Socialists.

[Grigore] I cannot accuse anyone without hard evidence. The only thing I can point to in this regard is the fact that whereas in the party's executive board, the majority of members had always maintained a cooperative and collegial atmosphere in the most democratic sense possible, the party chairman was very often not a player in this regard. In other words, not only did he not cooperate with the board, he very often avoided it. In fact, recently it became clear that he was trying to obstruct the very operation of the board. In this sense, chairman Manolescu struck a discordant note that appeared even in certain decisions, taken in the most serious and democratic manner possible, through secret ballot and after extremely serious discussions. Manolescu's naming of Mihnea Berindei as party spokesman in France without consulting with either the executive board or the national committee is a perfect example of this. Given the negative reaction to this political maneuver, the executive board by secret ballot decided to withdraw Mr. Mihnea Berindei's credentials as party spokesperson. But the party chairman ignored the vote.

[Uba] It has been in the press that Mr. Mihnea Berindei has connections with the French Socialists....

[Grigore] The problem was that Mr. Berindei was received abroad in a somewhat unfavorable manner and not in keeping with that which represents our positions, or with that which we know is necessary for our party image and the manner in which it is perceived by the public. Given that, a good solution—at least I thought it was a good one—was to have Mr. Berindei be but one of a group of Romanians in the diaspora in France who would have the responsibility of representing the PAC. As far as I was concerned, I was displeased with the way in which the chairman chose to avoid the democratic process and to show not the least consideration for persons who were designated by an elected party organ (namely the national committee) to work as a team. I believe that it was likely that Mr. Manolescu came to the conclusion that this board was not in agreement with him on the great majority of the issues that came up, and so he set out to attack some members of the executive board.

### **A Meeting in the Soviet, Stalinist Mold**

[Uba] Can you give me some examples?

[Grigore] At the meeting just prior to the one where I decided to submit my resignation, one of the party vice chairmen, Mr. Stelian Tanase, was attacked by several people. And it was in a style that I could not believe still existed in the spiritual and moral environment in today's post-December 1989 revolution atmosphere. I simply would not have imagined that there could still be such Stalinist tendencies, such bolshevism of the most retrograde variety, as that which I witnessed at that meeting. Mr. Manolescu did not directly participate in the attack, but he tolerated and tacitly encouraged it. Specifically, it was an attack by some members from Timisoara that began with the fact that Mr. Tanase was invited and took part in a delegation that was in Brussels along with President Iliescu, a fact they then considered, by pointing to certain statements by Mr. Tanase to the effect that democracy had made some progress in Romania, as some sort of proof of his treachery. It appeared to me at the time that they were exaggerating even if morally I could rationalize certain connotations in this point of view. Now, one of these is that I want us to solve the country's problems more rapidly and that I am dissatisfied with the slow pace these problems are being addressed and the other is that certain solutions are or are not to be pursued. These things should not be confused with one another. Moreover, there they were mixing sentiments and low blows, forcing someone into a corner, performing a complete "unmasking" in the most unpleasant fashion possible.

I finally felt I had to intervene. I tried to do so with irony. I said, "I want to unmask myself." And I reminded the national committee that some time ago I had been invited to participate in a delegation for some visit with to Latin America, and that this creates a very grave situation, or more accurately it places on the agenda a major party crisis to deal with. There were those who tried to return the discussions—this is very important—

to the realm of ideas and debate, and to reduce the personal attacks that had taken over these discussions. But the party chairman encouraged the incriminations and the personality attacks persisted.

Convinced that this crisis had to be met head on, the following week I signed a letter that a group of party members had addressed to Mr. Manolescu and I read it at the executive board meeting (which the chairman wanted to skip since he did not have time). The letter merely invited him to a very responsible and serious discussion about the phony personalizing of issues and the tendency to stray from objective discussions. To my great surprise, Mr. Manolescu was deeply offended by this letter and he thought it proper that it should be read at the national committee to see how a group of important party members (including a group from Parliament) could sign such a letter.

Although in the press it was called "a letter of no-confidence," we had addressed it and forwarded it to the chairman in an executive board meeting to demonstrate, on the one hand, our belief that together we could find solutions, and on the other, our desire to maintain this conflict on very important political issues within a very small circle both in view of the upcoming PAC congress as well as certain long-range organizational issues regarding the party statutes (which already had been printed in several variations and had been more or less casually discussed in several executive board meetings). At the national committee meeting where I submitted my resignation, not only did the personality attacks continue but I was witness to a "stylistic" evolution that simply was incredible.

I do not know how you feel about such things, but ever since I was a child I have been an avid listener to theater on the radio where, along with the classics, they used to put on so many of those Stalinist Soviet plays. Unfortunately, the meeting brought to mind that kind of theater, with enemies of the people, with the identification of some minority as the people and discussions and decisions taken in the name of the people, along with the transformation of the other party, those with other opinions, into enemies. The instant I realized how matters had evolved and that there was nothing left that I could do (my efforts to intercede were futile) I wrote up my resignation on the spot and forwarded it to Mr. Manolescu. I want to tell you, however, I was not impressed with the fact that my resignation was requested in a meeting which reminded me of a party session of another era, olden times....

[Uba] Thus, after reading the letter from the group?

[Grigore] After reading the letter from our group, Mr. Manolescu read a letter addressed to the entire national committee in which he demanded either the expulsion of the two initiators of this action....

[Uba] You being one of the initiators....

[Grigore] Myself and Mr. Tanase. The letter said either this (a vote on our dismissal), or his removal. I was not impressed with the fact that the party chairman demanded my expulsion. What struck me was that this was suicidal. All the more so because one of the principal virtues of this party has to be its capacity for dialogue and for harmonizing different points of view. Instead it appears to me that we are talking about a phenomenon that there is a danger will become the dominant phenomenon of public life. There are individuals who constantly identify themselves with some thing. There is the danger that a person identifies himself as a party, or an organization, or an institution. The peril of identifying...

[Uba] Even a state: "I am the state; I am the party."

[Grigore] Exactly! This is a danger that we still face. And it is very distressing when it happens to a personality of the calibre of Mr. Manolescu, who has a literary background engaged in defending basic values of Romanian culture. In the past, I greatly admired his commentaries regarding postrevolutionary politics. It is a great disappointment for me when a man of the intellectual stature of a Mr. Manolescu begins to identify himself with the party, not recognizing that reality is not a static thing, that the party has new structures, that new personalities appear in political life. And it is good that they do! We have a whole new group of young deputies, very good ones, who must be encouraged. With their energies, political life is being rebuilt, something that is very necessary now. In that regard, at the national committee meeting when I resigned, I remained there (even though Mr. Manolescu demanded that I be removed) to try to prevent these men who had signed the letter along with me from being intimidated, lectured to, and disciplined. Mr. Manolescu has made an art out of halftones and nuances, trying to intimidate people who do nothing else than sign a document which calls for a serious, reflective dialogue.

#### **We Have Our Own Group of Restorers**

[Grigore continues] At this same last session of the national committee, I observed the activities of a group that reacted violently to any opinion or any speech not in agreement with Mr. Manolescu. It is a very curious phenomenon when people who clearly express their choices, who place them on paper and sign it, and take full responsibility are characterized as saboteurs by others who have not yet expressed themselves clearly nor laid out their options. This posture, in a way even characterizes of our current transition.

[Uba] In troubled waters.

[Grigore] A transition from troubled waters to waters more serene. I would say that the transition is one from a society sick with bad faith to a society that is beginning to escape, to detoxify itself of this bad faith.

[Uba] But this "transition" suits those who fish in troubled waters, even within the party, those not taking on an identity....



[Grigore] It is possible that we, too, have our own fishermen. I dare say that we have our own team of "restorers." I would not want to name names, I would not want to point one out, but probably even within the PAC there are those with a case of nostalgia. Now, however, I think what happens at the congress is the important issue. In this regard, I regard it as very serious that they continue to make suicidal decisions. In fact, I read in the papers that they demanded that Stelian Tanase be removed as the parliamentary leader, even though a majority of our representatives voted to retain him. This looks to me again like a suicidal proposal on the part of the party chairman. It does not make sense to diminish your numbers and remove your own members from parliament. It does not do to throw tantrums over them. These are men who were supported by many thousands of voters; men in whom an electorate has expressed its faith and accepted their views. You just cannot do that! I would quote you from Mr. Manolescu's recent writing, "Political Thought," where, when speaking of a similar situation, he labled it "imbecilic." But I think it is also truly imbecilic to propose the removal of two people who signed a letter, and imbecilic to propose that a parliamentary group leader be removed or relieved of his duties, as we said earlier, that he holds as a result of representing the party in parliament.

[Uba] Has your "estrangement" has been caused only by the authoritarian or dictatorial tendencies of the PAC chairman (as a method of behavior) or does it imply diverging beliefs and vision, and if this is the case, diverging ideology regarding fundamental issues in the political arena?

[Grigore] Look, before the congress I really am not anxious to comment too much about certain maneuvers and the way they were interpreted by the public, both here at home and abroad, regarding the political options of our party. It is obvious that the party is trying to find its political identity; it is going through a maturation phase that has not been easy. I am upset by the intolerance and bad faith. I believe that all of these issues could have been worked out calmly and with much greater efficacy. And with much less noise, not in the sense of everything swept under the rug, but in the sense of avoiding debilitating uproar. It appears to me that there is quite enough tension, enough polemics surrounding these fundamental issues of the doctrinal options that will be set at the congress and the problem of the party statutes. The fact that they have withdrawn the right or are trying to withdraw the right of certain signatories to the letter to attend the congress has less to do with the personalities of Mr. Tanase and Mr. Calin Anastasiu and more to do with the fundamental vision and civic positions of the two.

[Uba] The position that you are taking implies that you are in agreement with Mr. Stelian Tanase. I ask this because this is at a time when Mr. Stelian Tanase has declared that the spirit of PAC is opposed to the "University Square," you have given us the impression that you are in sympathy with the "hooligans."

[Grigore] Not only that I have been and continue to be sympathetic to the "hooligans," I am counted as one. I have signed at the top of the list from the Philharmonic (the first on the list is the person who was the Philharmonic's director at the time); I am a supporter of that Point 8 of the Timisoara Declaration and later in the Square, that list that was read had my name at the top. But I do not think that the issue is whether or not I am close to the University Square. Unquestionably I am. The issue is that at a certain point we were a group of people who said, "We are not going to be able to do something meaningful for our country huddled in meetings on the sidelines or acting like some civic-cultural sewing circle...."

[Uba] The issue then was for the University Square, or for University Square ideology to enter the political arena, to move from civic activism to political activism.

[Grigore] Absolutely. Because we did not believe then, nor do we think now, that our problems can be resolved other than through political will. It was not a power vacuum; it was a responsibility vacuum that was created in this period after the revolution, a vacuum that remains with us still....

I believe that Mr. Stelian Tanase said that we can no longer fight in the political arena with the methods of University Square. In other words, we will not solve these problems that face us through gatherings and street sessions with rock or pop music. At least, that is the way I have perceived matters in that period when we transformed our organization, from one that gathered together hundreds of thousands of people and built up their hopes in the streets to a political party.

[Uba] Do you still adhere to University Square ideology?

[Grigore] Yes, absolutely.

[Uba] And implicitly the notion of monarchy that came out of that?

[Grigore] As far as I am concerned, it really is very clear. I have never had second thoughts in this regard. I have never made it a secret that I am a monarchist. It is my personal belief, my conviction, and I have to be honest and admit that it is. At the same time, however, I must say with all honesty and responsibility that I respect the beliefs of others for the republican system under which we operate.

[Uba] Apropos, is Mr. Manolescu a monarchist or not?

[Grigore] As for me, I can say that I would be a monarchist even if I knew there was not a chance for a monarchy in Romania. Even if I knew I was the only one out of 99,999 who was against the republican majority, I would still be a monarchist. But that is my problem.

Regarding where Mr. Manolescu is situated on this issue, well, any politician is what he does, and what he does is what he is. That is what I believe. In other words, for a politician, there is no boundary between being and

doing. What delimits a politician is what he does. In this regard, Mr. Manolescu's preference is that which he has manifested—the political maneuvers that he has made to date. That is the response that I think I can give you. Those who are aware of the major gestures which Mr. Manolescu has made since he entered political life, can very easily know where he stands.

[Uba] I have never observed any promonarchy political gestures from him.

[Grigore] Nor have I.

### **One of Our Particular Problems: Now Is Not the Moment!**

[Uba] Do you believe the split in the PAC leadership to be the result of some diversionary or manipulative action to destroy the opposition?

[Grigore] No, I do not believe it to be an destructive, or diversionary, or manipulative action. I think that it is an internal crisis; a crisis of men and personalities with reality. It is a manifestation, a lingering residue, of a poison that exists in us and shows itself in various ways, according to the personality and temperament of each individual and as a function of the way that each has been able to relieve the pressure that was exerted on us all. It is possible that there are interests who are in concert with this internal party crisis. It is possible that there are interests who are undermining the party, but I do not think that they ignited the crisis. Think for a minute that this party until now has not undergone such a crisis. But mistakes have been made. And I can vouch for the fact that there has been no shortage of criticism.

[Uba] What are the mistakes you refer to?

[Grigore] I do not want to go into details. However, perhaps the crisis would have been less severe and shorter in duration if more people had developed a critical attitude (which I had taken on a number of times.) We labored under this general imperative that now is not the moment to criticize, to say we are opposed to such and such a viewpoint; that we injure, that we damage the opposition, that we damage the party, that we injure this person or that one, that we hurt the cause and I do not know what else. This allowed pressure to build, whereas had it come out along the way it would have lessened the crisis in the end. This is one of our particular problems. "Now is not the moment! Let us put it off." "Hold on, not now! Some other time." Why another time when now is when we must criticize a way that we have determined to be in error?

[Uba] Under the guise of constructivism.

[Grigore] Yes, and it is a false prudence. In fact, we really are talking about that sentiment of inefficacy that plagues us. I believe that this inefficacy must be met head on. But I do not believe that there can be an efficacy externally, in teaching and inducing democracy if you, in your own internal workings are in no position to create it. Because of this, I think that this struggle within our

party for its maturation and for placing it on a new level of functioning is now very important. I am following it with great care and I am putting great hope in the upcoming hours.

[Uba] What effect (good or bad) would your rejoining the PAC generate?

[Grigore] It would be very difficult for me to give an unbiased commentary on this matter; what would be the effects, how would my rejoining the PAC be taken? In recent weeks, I have received signals from our county organizations and from the members in Bucharest from the various sectors, that this chain of resignations (and personally, my resignation) was perceived correctly; in other words as a very serious alarm.

[Uba] You have always been known as a decisive person, never wavering or equivocating.

[Grigore] When I entered the game of politics, I went into it all the way, with all of its risks and responsibilities. I said, "Gentlemen, in general the public views me as a fair person who does just what he says." And by this move, I tried to give a signal to people that they recognized as a serious crisis and as an expression of pain—pain that I cannot intervene, and that I cannot induce that which is good nor that resolution which is desired and anticipated. And, since I could not achieve these things, there was no sense in staying there and doing nothing because that would identify me with that process.

I could not function as I was sent to do, bearing the trust of my supporters. On the longer term, however, I hope that this confusion and despair that has permeated the internal party atmosphere recently will be replaced by a fervent debate of the real party problems—the problem of party doctrine and a concrete program for solutions that the party will put forward for the future in the many vital areas of the transition which unfortunately have slowed practically to a halt. This transition has stretched out so long that our anxiousness to reach the other side has been stretched out along with it, almost to the breaking point.

### **It Terrifies Me What Would Happen If Mr. Manolescu Became President**

[Uba] There have been press reports that PAC members are finding it increasingly difficult to communicate with Mr. Manolescu.

[Grigore] That is true. And the situation is getting worse. It terrifies me what would happen if Mr. Manolescu were to become the country's president. How could they work with him then? Probably only on the planet Pluto. I do not dare even to think about it.

[Uba] What do you think about this dual position of PAC on whether it should sign the censure motion the opposition has proposed. You know, the situation where the PAC declared itself opposed to the motion to censure

whereas Mr. Manolescu, stuck at home during the blizzard, indicated personally that he would sign it.

[Grigore] As far as I know, Mr. Manolescu at first said that he was snowbound at home but then he ran over to the national committee, or rather a sort of national committee although it did not have quorum. He brought together as many members as he could and they decided to support the motion. I remember the situation well. During this same blizzard, I had driven in from the country by car and after arriving home, I received an "invitation" not to bother coming to the national committee meeting because it was postponed due to the weather. Later I found out this was not true when I received a telephone call saying they were holding the meeting after all (because Mr. Manolescu had decided to hold it at the last moment). By then I was not able to make the session.

[Uba] Would you have wanted to sign the censure motion?

[Grigore] In any event, I would have wanted to discuss it fully and make the decision together.

[Uba] I ask the question because the situation appears to be a repeat of that with FSN [National Salvation Front] constitution. The opposition said, "No," the official party position was, "Yes," but the members were free to take either position....

[Grigore] There were really three positions, one after another, at that time. At several instances, declarations were made before the issue was discussed fully and a decision taken. These declarations were seen as being made in PAC's name whereas, in reality, those making them did not have the public experience to say that such and such a statement reflected only their personal opinion and not that of PAC. Then there were some people who...

[Uba] At this point, those of us who have admired the positions you have taken, feel disgusted really, that your dynamism as an anticommunist warrior may be inhibited. What can you say to encourage those of good will who have need of a personality such as yourself?

[Grigore] First of all, I do not believe that I am all that important. I do not think that I am a standard or a symbol. I too can make mistakes. But what I do, I always do very openly—no maneuvers, no actions behind the back. I do not believe that my resignation from the PAC leadership should be seen as the end of an era, the end of the world or even the end of the struggle against evil and misery. I repeat: I do not believe that well-being depends on a single person. And it is in this vein that I sent Mr. Manolescu a cordial signal to the effect that there are still many possibilities in the area of responsibilities when ideas can be discussed by many different minds. I do not believe that the right answer can always be found in the hands of a single person nor do I believe that the liberation of a country can come from a single person. I do not think that a single party can work miracles. I hope that it simply remains a coincidence that my personal impasse with the party occurred at the same time as the crisis the party is undergoing, and that the road of the party continues on the ascent. I hope that the solutions it will propose will give heart to...

[Uba] From what you are saying, I get the impression that you are not looking to another party but instead, if there is a loosening of ideology and a cleansing of the "restorers," you would return to the PAC?

[Grigore] Well, of course if this were to happen, they would find me ready to take on the responsibilities I might have in this party. But for this to happen they would have to redress this unhappy idea of the party chairman demanding my resignation and that of Mr. Tanase. This is not some game or a personal peeve; it is fundamental to the issue of the kind of atmosphere that this organism must function in. There first must be some repair of the party spirit and then, I repeat, if there were signals that I was needed, I think that I would return.

[Uba] Even under Mr. Manolescu's chairmanship?

[Grigore] If there were some signs of regret on his part for the blunder that he made regarding my situation, I could put it all behind me. But the way that a person can participate on a team is more complicated. I do not think this is a matter that one can handle simply with promises.

## Macedonia

### \* Politicization of Turkish Minority

93BA0951A Skopje NOVA MAKEDONIJA in  
Macedonian 17, 18-19, 20 Apr 93

[Article in three installments by Aleksandar Damovski:  
"In the Manipulation Zone"]

[17 Apr p 4]

[Text] *For the Party of Turks in the Republic empirical proof of the "policy of ethnic cleansing is found in the plowing under of still existing Turkish cemeteries and land which the Islamic Religious Community leases out."*

"Every day the Turks in Macedonia are subject to harm and pressure and are being deprived of even the most basic civil rights.... In a most flagrant way Turks are being pressured most grossly, and even threatened with annihilation.... The situation of the Turks in those areas is being openly threatened."

This was reported on 8 April by Erdojan Sarac, chairman of the Democratic Party of Turks in Macedonia, at a press conference. He illustrated this statement with several examples of local and communal problems involving Turks, particularly in the eastern part of Macedonia. To the DPT [Democratic Party of Turks] these examples provide empirical proof of the fact that the "communist machinations involving Turks in Macedonia are continuing."

As we traced specific "empirical proofs" in the Radovis and Strumica townships, we became convinced that this type of policy practiced by immoral people indeed existed and that it was an exceptionally rewarding occupation, some of the peak achievements of which was the manipulation of the masses. In the progress made by this kind of activity, the basic aspects of such manipulation are converted into daily practices.

### In Defense of the Cross

The DPT information according to which Turks in the Republic are being discriminated against and deprived of their rights mentions the village of Oraovica, in the Radovis area, where "a Turkish mosque was razed to the ground with a bulldozer, most barbarically." The DPT conclusion is that "in all areas of eastern Macedonia an ethnic cleansing of Turks is taking place most perfidiously."

The facts indeed prove that something was destroyed illegally without the permission of the respective authorities. However, this did not apply to the mosque that has not been standing there for some 20 years. All that was standing was its crumbling minaret.

"However," we were told by Andon Todorov, the chairman of the Oraovica colony, "according to the urbanization plan an ambulatory clinic and a post office were to be built on this spot. I was born in 1959 in this

village and I cannot remember any mosque here but only a garbage dump. For quite some time the minaret was crumbling and collapsing. If this object was owned by the Islamic Religious Community, why did it not repair it?"

There was only one Turk living in that village.

Another story related to that village, according to the DPT version, is that last October shepherd from Kalauzlija Village were attacked by some 40 young members of the VMRO [Internal Macedonian Revolutionary Organization] from Oraovica. According to Ljupco Zahariev, the reason for the fight which did not involve the 40 members of the VMRO, but local farmers and livestock breeders, was the fact that the livestock grazed in the fields and destroyed the farmers' crops. Because of the inefficiency of the respective official services, above all the local unit of the Ministry of Agriculture, the farmers simply decided to settle the question themselves and to defend their crops, Zahariev said.

### Politicized Cases

The one-sided party information includes the closing down of Turkish-language classes for the fifth to the eighth grades at the Mosa Pijade Primary School (and not the Marshal Tito School, as the report claims) in Radovis. In that township all Turkish villages offer training in the Turkish language from the first through the fourth grades, and the teaching takes place in relatively new school buildings. Until the 1991/92 school year, that same school had classes in the Turkish language from the fifth through the eighth grades. They had to be closed down because of the small number of students. For the remaining students optional studies in the Turkish language were organized.

According to Cane Ristov, Republic inspector of education for the township, the reason for the small number of students registering in the fifth grade is, above all, the tradition of that population that engages in livestock breeding, the attitude toward girls, and problems related to bus transportation. Olgica Valjakova, head of the local unit of the Ministry of Education and Physical Culture, told us that toward the end of next month a survey will be conducted among parents of children in the fourth grade who will be asked whether they will register their children in the fifth grade. This will require organized busing from Bucim Village to Radovis. The ministry has secured private lodgings for children who would like to live in the city.

In the past few years such problems have affected all citizens in that township. Most of the enumerated cases have been politicized and require a resolution. The view that there is some kind of policy of ethnic cleansing of Turks is truly exaggerated. It is a fact that it is precisely in settlements with a mixed population that the people live well. The party's assessment is truly groundless, according to Ljupco Zahariev, who pointed out that the DPT is not even trying to participate in the efforts of the township to promote an agreement between two Turkish



villages (Kodzaliya and Alikoc) on building a water main to be financed by the township assembly.

Gotak Berzat, who teaches the Turkish-language classes in Radovis and is one of the founders of the former Democratic Union of Turks in that city, agrees with that assessment made by the township chairman. He agrees that there are problems in the area of education but, according to Berzat, they are not worth making a big issue. The demand to open classes in Turkish for the fifth through the eighth grades is justified. However, because of the scattered nature of the villages and insufficient professional personnel, this is indeed difficult to organize. Those who claim that the Turks live under pressure and that some kind of ethnic cleansing of the Turks is taking place here are lying, according to Berzat. He explained why he would never respond to the appeal of the DPT to emigrate from Macedonia. This would be absurd, Berzat said.

The absurdity of the DPT has gone so far as to report that "in Radovis and elsewhere the Turkish cemetery was plowed under without informing the relatives of the dead." In that city the Turkish cemetery is intact. It has not been plowed under or replowed. As to the cemetery in Oranica Village, matters are entirely different. In that village the Islamic Religious Community has been leasing out for quite some time the land that formerly contained the Turkish cemetery, and is today managed by the municipal cadaster service.

[18-19 Apr p 4]

#### "New Hawks"

[Text] *In an attempt at depicting in blacker color the situation of the Turks in the Republic and, particularly, in its eastern part, the DPT is quite unselectively raising several problems that are literally problems of the community, ascribing to them fictitious cases of discrimination against members of the Turkish ethnic group.*

It is a rich crop but a crop without fruit, the people say referring to recent achievements but hinting mainly at interethnic relations. The parties have made a big deal, the people think, of temporary misunderstandings among people who, only yesterday, were close friends, neighbors, or godparents....

In an effort to depict in blacker color the situation of the Turks in the Republic, particularly in the eastern part of Macedonia, the Democratic Party of Turks has raised quite indiscriminately several issues that, literally, are problems of the communities, combining them and adding to them unsupported facts of threats and discrimination against ethnic Turks. It is no accident that that same party has neglected to cite examples that prove something entirely different.

The information provided by the DPT ascribes an exclusively political background to the almost traditional autumn fights between farmers (mainly Macedonian) and livestock breeders (mainly Turks) in the Radovis

township. According to the accepted logic on which this conclusion is based, almost regularly the victims are the livestock breeders, i.e., what matters most to the DPT, Turks. Since the victims of such "political" duels also included farmers, i.e., Macedonians, who were beat up by the livestock breeders, is something the DPT does not mention. Last autumn, Vasil Tjorgiev was one of the victims of such "political" fights. He was unable to defend his crop from the livestock breeders who let their herds graze in his field. The result was that Tjorgiev spent several days at the medical center in Stip.

The DPT forgot to mention, "accidentally," its sympathizer Resad Demirov, also from Radovis, whose house burned down at the end of last year but who also obtained a new lot and financial assistance (50 percent of the cost of the new house) from the township assembly. Otherwise he would never have lived in Radovis, Resad says.

#### "Endangered Turks" in Konce

The village of Konce in that same township (110 Macedonian and 135 Turkish families) is also mentioned in the DPT information. Once again this was a physical settlement of accounts between two families, one Turkish and another Macedonian, caused by misunderstandings among the heirs of the heads of the families. The final settlement of accounts that took place in the yard of Mustafa Maksudov's family, according to the local interpretation of the truth, could have developed into something more serious without the calm shown by the hosts of the uninvited guests. The delayed medical and, subsequently, police intervention only increased the anger of the Turks in that village. However, this was a moderate anger involving only two Macedonian families with which the Turks in that village "have had problems for some time," we were told by the old Pasha Demirova. Abdije Atidze agreed that it is only with those two families that problems exist and never with any other. "It is indeed true that we live here without any major problems as far as interethnic relations are concerned. The situation created by last year's incident has become entirely stabilized, and there is no need whatsoever to exaggerate. At least I personally have never felt any pressure to leave this area. The problems are essentially of an economic nature and not of ethnicity. I believe that the DPT was somewhat hasty with its public statements. Perhaps the only problem in the village is the fact that the local government and the post office employ exclusively Macedonians and not a single Turk, although when the competitions were held there were Turkish candidates with proper education," said Asan Berov from Konce, who represents the village in the township assembly.

All peasants agree with this view, regardless of their ethnic affiliation. Mustafa Maksudov, one of the victims of last year's incident, says that the problems in the village are caused exclusively by those two Macedonian families and that there have never been problems with the other families. The 70-year-old Betjir Maksut, sitting



in the yard of the village mosque, said that the problems are caused by the water situation, the marketing of the tobacco, and the land, and the efforts of some villagers to cause troubles in the village with provocative statements such as, You will see what will happen when the VMRO comes to power!

#### Political Credit

Meanwhile, we saw that these were isolated cases and that the views on them were the same "on the other side." "I originally come from Tetovo," said Olga Atanasova, "and to this day I am amazed at how well people here live with the Muslims." "The Turkish girls do not wear the veil. They dance with us at all celebrations and among the dancers one cannot distinguish who is who," according to Lazar Vasilev. However, not one of them was able to show us at least one household with a mixed marriage. This is not done, the villagers in Konce say unanimously.

Along the way we also talked to Amed Abdiov, a vendor in one of the stores in Konce, with Gligor Sekulov, and with Stase and Zivko Vasilev, as well as with Tjermal Taip, several days prior to his departure for Sweden.... "No one here bothers me," he said. "I am unemployed and my girl and my brothers are also in Sweden," the young Tjermal said in explaining the reasons for leaving Konce.

Such is the situation in this village where, as the villagers proudly say, the highest quality tobacco in Macedonia is grown. It is obvious that to the regret of our newly hatched politicians, the situation here is entirely different from the description of some kind of discrimination against neighbors belonging to a different ethnic group. Unfortunately, there still are politicians who would like to earn credit within their own party but can do so only by turning into "hawks with a political orientation," which today is obviously a "popular commodity."

[20 Apr p 4]

#### Fishing in Muddy Waters

[Text] *The DPT included the "Bansko case" in the series of proofs of "deprivation of most basic civil rights of Turks." Misunderstandings come only from two people. With the others, with the Macedonians, there are no problems, the Turks in Bansko agree unanimously.*

According to the Democratic Party of Turks in Macedonia, the unquestionable argument concerning the threatened nature and discrimination against that ethnic group include the problem of water supplies to 42 families from Bansko Village, Strumica area. The DPT information states that "according to a notification of the local community, the supply of water from the water system was not approved for 42 Turkish families. This deprives them of their right to live there, for it deprives them of the possibility of raising early garden crops, which is their only profitable occupation." It could be

said that this is not the only profitable occupation but also an occupation which accounts for most of their income or else the only source of their income.

For the first time, in its report the DPT tries to block arguments by saying that "according to the reports of the local assembly...." This means that not one of the highest party leaders had studied the problem firsthand. Nonetheless, this did not stop the party, and the "Bansko case" was added to the string of empirical proofs of "deprivation of most basic civil rights of the Turks."

This statement is questionable, but not by the DPT in terms of the desired interethnic consequences. Naturally, it was supported by some of the threatened families. We once again came across that which to us has become a typical communal problem resulting from the arbitrariness of some people and quite accidentally, and naturally not organized or properly developed specific plan on the Republic level, for most of the victims of arbitrary behavior to be Turks.

#### "I Would Never Leave This Place!"

According to the law, the hot water from the spring situated above the Bansko baths is managed by the Strumica ZIK [Agroindustrial Combine]. In the field below the baths, the first user of the hot water for the greenhouses is precisely that same Strumica ZIK. The hot water reaches the most distant of their greenhouses, where our right to distribution stops, for we have still not begun to pay for the service, says Risto Bonev, a director of one of the units in that combine. For the past 20 years or so, after the water has been supplied to the last greenhouse of the combine, the rest goes to several families in Bansko Village, always equally divided it among them without any problems, according to the villagers. According to them, this year, as a result of the work of technicians in the combine, Dinco Zafirov and Tome Drvosanov, the water from the last "giriz" (the outflow pipe from the greenhouses of the combine) goes to the greenhouses of one member of Murtino Village, Dimitar Atanasov, from where, unused, it flows into the uncultivated part of the settlement. The Bansko villagers claim that for such a "professional" intervention the technicians are given a certain share in the allocation of what, according to all available data, is profitable farmland.

The remaining share of the greenhouses, left without hot water, had been known here as the "mother of transplants." This year it was left orphaned. Most of the families in Bansko are in a similar situation.

"This year the problems were caused only by a few technicians from the ZIK. We have no problems whatsoever with the people of the village, with the Macedonian houses. Those who tell you otherwise are lying to you. I do not believe that people elsewhere live so well," says Ferus Rusidov.

We came across Ejbije Mustafafova and Pembe Isinova, who were trying to save part of the greenhouses. "We live

like brothers in this village," they said. "We have never had any quarrel with the Christians. We are all united here," both agreed in assessing life in Bansko, emphasizing that several Macedonian villages had helped them by letting them use some of their land above the baths, thus enabling them to earn something.

"I believe that what they did this year was truly inhuman. Why it was done, I do not know, but no one could dispute that there is enough water for everyone," said Jovan Sarenkovski, one of the people harmed by this water-supply "innovation."

Totally helpless in the face of such arbitrariness and after their unsuccessful attempt to resolve the problem through the proper authorities, the villagers thus affected in Bansko has put their last hope on the Democratic Party of Turks. Their previous efforts to resolve problems directly at the "giriz" were met on several occasions with a double-barreled rifle in the hands of the sole user of what is left of the warm water released by the combine. The party made good use of this fact by summoning the villagers to its recent press conference, in an effort to make this appear a case of discrimination and of the danger threatening the Turks in Macedonia. According to them, this could result in their demand to emigrate from the Republic to Turkey. I will never leave this place, says Isein Rizov, one of the people affected by the case of the warm water, who is also a DPT member.

#### Political Pressure

Discussions with the personnel of the Strumica ZIK revealed that that combine will not be in charge of the distribution of the water until it has paid for it, and after all of its greenhouses have been watered. It is up to the private farmers and their organization, according to Risto Bonev. When we insisted that in this case the combine has become indirectly involved in this matter through its technicians, Jovan Jovanov, director of the Strumica ZIK, said that the problem will be quickly resolved for he does not doubt that the personnel of his combine made some errors and did some bad things.

Meanwhile, the warm water is no longer needed by those people. Their harvest has failed. All that is left to them now is their ingenuity and industriousness.

As to the DPT, with all of its arguments, the season of catching fish in muddy waters is certain to go on. Such this provide arguments in support of their views. This is clearly aimed at the entirely unnecessarily increase in tension but, in the party's case, the necessary increase in the feeling of pressure in interethnic relations. The reality, however, is somewhat different.

But who is thinking about this today? The self-proclaimed national leaders, in accordance with tier views, and without any clearly developed political orientation, in this case directly related to their leadership method, have only one thing in their mind: to create by force the existence of a threat to the nation or to the nationality whose leaders they claim to be, whether facts

to this effect exist or not. Simply, the use of this rule is necessary in order for them to remain on the political stage.

The arguments brought forth by the DPT and our study of what the party calls a basis for the conclusion that the Turks in the Republic are threatened totally clash. The preplanned picture has done its work. Naturally, the party members and their sympathizers and supporters of the "national herd" in Konce, Oraovica, Radovis, Bansko, Strumica, etc., prove this picture to be a lie.

#### \* 1992 Balance Sheet Summarized

93BA0953C Skopje VECER in Bulgarian 1 Apr 93 p 3

[Article by B.S.: "Low Payments, High Interest Rates"]

[Text] *One enterprise in five has shown negative financial results and the total loss exceeds the previous year's by a factor of more than 30.*

*Payments quickly lower participation in the overall income, for they are the main feature in financing public consumption, while burdening the economy with interest rates and rate of exchange differentials has doubled compared to the preceding year.*

The Public Accounting Service has summed up the financial results of the Macedonian economy based on the annual accounts for 1992, including 16,922 juridical persons, or almost 60 percent more than the previous year. However, the number of people employed in the economy declined by one percent. This disproportion is explained with the fact that as many as 14,705 enterprises, or 87 percent of their total number, are privately owned and employ only 7.2 percent of the 390,000 workers employed in the economy.

The total revenue of the economy last year declined by one-third, while gross earnings declined by one-half. The overall financial effect is negative, for the overall loss suffered by the failed enterprises in exporting goods worth 137 billion exceeds the earnings of successful enterprises by 29 billion denars. Losses were recorded by one out of five enterprises or 3,688 economic entities employing 84,000 people. For that reason the total loss increased by a factor of more than 30 compared to the previous year, and the number of juridical persons showing negative financial results doubled. Although 88 percent of these enterprises are privately owned, they account for no more than 9 percent of the total losses, whereas 70 percent of the losses were the result of the negative balance of publicly owned enterprises. The highest losses were those of the electric power utility, 37 billion, and ferrous metallurgy, 28 billion denars. Therefore, these two enterprises combined account for nearly one-half of the total loss suffered by the Republic.

### Mixed Enterprises Are the Most Successful

The most successful among the enterprises classified according to ownership are the mixed enterprises, essentially the corporations, which account for 48 percent of the overall income and 45.4 percent of the gross earnings. The private sector accounts for a very high share of the gross earnings, 31.4 percent. This is the result of low wages and the small number of employees. In the overall wage fund of the economy, these enterprises account for about five percent, and the number of workers they employ is 7.2 percent, as compared to a 22 percent participation in the overall income. Actually, their other operational costs are lower as well. This proves that such enterprises deal mainly in trade and that very few are engaged in production activities.

Lower production and other economic activities are the main reason for the worsening of financial results. However, increased expenditures have significantly affected their worsening. For example, interest and exchange rate differentials in the Macedonian economy last year doubled as a share of the overall income, from 9 to 18 percent. In the area of exports, they doubled compared to the total amount of salaries. Actually, in the course of last year salaries grew substantially more slowly in relation to the other operational expenditures.

### Adverse Correlation

The reduced share of wages in the distributed income in recent years has rapidly declined from 58.4 percent in 1990 to 53.8 percent in 1991 and 49.1 percent in 1992. This is the reason for which the share of the distributed income going to the economy to meet its own needs declined from 68.01 to 63.8 percent, while the share of public consumption increased from 31.9 to 36.2 percent.

In addition to the dominant role of wages, a characteristic feature in the financing of public consumption is the fact that the doubled load of these expenditures (in excess of 92 percent) is borne by enterprises of public or mixed ownership, whereas the private enterprises participate with no more than 6.6 percent. The latter had the lowest expenditures for salaries, no more than 1.3 percent of their overall income, as compared to 7.4 percent in the other economic entities.

### \* Draft of New Law on Trade Discussed

93BA0952B Skopje NOVA MAKEDONIJA in  
Macedonian 20 Apr 93 pp 1, 3

[Commentary by S. Kiridzievska: "Breakup of the Monopolies—Freedom of the Market"]

[Text] *The purpose of the new law on trade is to provide protection from all forms of violation of competition rules, such as monopolistic behavior, disloyal competition, and speculations. Fines ranging from five to 15 [annual] salaries and no more than five years in prison may be imposed depending on the severity of the crime.*

The current law relative to trade and commerce will be soon replaced by the Law on Trade. The situation in that area requires the faster adoption of new or amending the regulations that will provide equal conditions for economic management in all economic subjects and their control, and the application of all stipulated penalties. The new draft law on commerce will also provide protection from all forms of restrictive competition and, especially, disloyal competition that has led to low turnover in public trade, leading it to a state of collapse. In practical terms, the new law will be an "easier relaxation" from the old sharp administrative model of a nonmarket work method, turning it into a flexible market-oriented model that will bring about privatization, greater savings, and motivation for work.

The stipulations of the new Law on Trade are within the limits of the current legal regulation of the members of the European Community. Especially interesting is the defining of the monopolistic attitude that is considered a violation of competition. A monopolistic agreement that implies sharing the market and prices, and limiting the volume of production or use of production capacities is included in this concept. It is probable that many economic entities will recognize themselves in these definitions, although their classification as a monopoly may not please them. A monopolistic attitude is defined as abusing the advantage of a merchant, something that strengthens even further his dominant position in the market and helps him to develop it. The law stipulates that a merchant has a dominant position if his share of the market in the Republic exceeds 40 percent, and the abuse of this stipulation, considered a criterion used by the EEC, will be penalized. Disloyal competition is defined as an action by the merchant aimed at or launched in the market, contrary to good business practices and damaging to another merchant. The suggested legal amendments will not tolerate actions judged to be speculative, such as, for instance, strings attached in purchasing or selling goods, concealment of goods, or limiting and preventing the sale of goods. It is precisely these factors that were one of the "specialties" of trade as conducted of late, limiting variety and playing various games with the consumers by concealing various commodities of vital importance.

There will be increased penalties imposed in accordance with the regulations governing trade. The main controllers of proper trade will be the inspecting authorities. Liability for criminal actions, economic crimes, and violations are stipulated. A fine ranging between five and 15 salaries will be levied for violations committed by the owner of a store, who does not qualify as a juridical person, or by an individual who does not have a store; the market inspector may levy a penalty on site, not to exceed three salaries. The most severe penalty is stipulated for illegal use of goods exempt from customs tariffs or in cases of signing contracts for importing goods at a price higher than the market price. In the case of merchants, this will be considered a crime, the penalty being a jail sentence from two to five years.



**\* Parliament To Debate Economic Laws**

93BA0952C Skopje NOVA MAKEDONIJA in  
Macedonian 18-19 Apr 93 p 6

[Article by K. Cangova: "Guarantee of Credit Solvency"]

[Text] *A loan must be backed by existing funds. The contracting parties will be held liable. Loans for importing goods and services, financing investment projects, and investing abroad. The Republic will not guarantee unsigned commercial agreements.*

The new draft law on credit operations involving foreign countries is already being considered by the Assembly. It regulates relations between people at home and abroad. This implies the borrowing and use of foreign loans as well as issuing credit, that is, loans to foreign individuals by people at home. Entities at home include the Republic, the banks, enterprises, and other juridical and physical persons who engage in entrepreneurial activities and are permanent residents of Macedonia and are independently engaged in economic and other activities. Foreign individuals are those who live outside the borders of our state. The loaned funds may be used to pay for imported goods and services, to finance investments abroad, to make foreign investments, and to lend money to foreigners.

**Several Forms of Crediting**

On an exceptional basis, the National Bank of Macedonia has the right to approve the volume and ways of use of credit and other deals because of the need for a dynamic coordination of the financial results of foreign exchange transactions with the approved monetary limits within the framework of the projected balance of payments. The credits approved by international organizations may be used in accordance with a ratified international agreement, more specifically the act of guarantee or superguarantee by the Republic.

The law submitted by the government stipulates that it is a question of all forms of credit operations, whether borrowing or lending by purchasers or sellers, or else the use of the bank as a financial organization which would credit a loan for purchasing or selling goods, and offering or issuing financial credits, guarantees, and other forms. Credit operations with foreign countries may be concluded by juridical persons separately, within the limits of the Republic balance of payments, for which reason they must meet certain conditions. Such conditions are quite specifically defined from the viewpoint of economic capability. Any sum borrowed from a foreign country must be properly repaid. More specifically, a loan must be backed by real sources of income. Responsibility in meeting all the requirements related to credit relations abroad falls on the contracting parties. This implies a study of the advantages of the loan. For that reason the Republic provides no guarantee should the juridical person fail to implement his contractual obligations toward the foreigner, related to a loan deal.

The draft law includes a decision according to which any bank that meets the conditions stipulated in the Law on Banks may engage in credit operations abroad on its own behalf and at its own account; banks which are not authorized to do so may sign a loan agreement only in order to meet their own needs.

**Conversion of Debts**

According to the submitted draft, borrowed funds may be repaid even ahead of time or else may be extended, sold, or paid off in accordance with the contract, as per the Law on Foreign Currency Operations. This possibility is restricted whenever the Republic assumes the commitment to guarantee or to be the superguarantor for loans which are being refinanced or rescheduled. It is only in such cases that commitments assumed on foreign loans may not be reimbursed other than loans for which the law stipulates the possibility of conversion. Such conversions apply to debts incurred for investing in an enterprise or bank and for assigning the rights to temporary use of a tourist project, and others. Agreements for conversion must be issued by the NBM if deemed suitable by the respective state authority, within 30 days from receiving the request.

If disruptions occur in the foreign trade and balance of payments of the Republic, in order to maintain overall liquidity, the NBM has the right to issue measures restricting the signing of contracts for credit operations with foreign countries. Should this fail to yield the necessary results, according to the law additional steps may be taken, including a temporary prohibition of repaying the loan ahead of schedule, and revoking the approval for converting debts. Such steps can be taken for a period not to exceed six months. There also is a commitment for registration, checking, and using the obtained loan if it involves a foreign country.

The penalty stipulations are part of the new draft law on credit operations with foreign countries. Thus, a fine ranging between 50 and 100 salaries will be levied on enterprises, banks, or other juridical persons that violate the new law, should they sign a contract with which commitments are imposed on the Republic, and should they fail to register the contract.... In all such cases, entrepreneurs are subject to fines ranging from five to 15 salaries. A protective measure is also stipulated, such as forbidding the responsible individuals from performing their functions in enterprises or engaging in such activities for a period not to exceed one year.

**\* National Bank Governor on Fiscal Policy**

93BA0952A Skopje NOVA MAKEDONIJA in  
Macedonian 20 Apr 93 p 3

[Interview with Borko Stanoevski, governor of the National Bank of Macedonia, by Maja Anastasova; place and date not given: "The Position of the Denar Is Stable"]



[Text] *The projection concerning monetary policy is based on the government's macroeconomic policy stipulations. The monetary volume for this year will be increased by 435 billion denars. Inflation is not merely a consequence of monetary dynamics. [The National Bank of Macedonia (NBM) is] abandoning the policy of a fixed rate of the denar.*

As of next month, the new monetary and foreign exchange policy and system developed by the NBM will be applied. The program includes a number of new features. Because of its restrictive nature, some of them were criticized in a public debate. The public is already familiar with parts of the packet, such as replacing the currency, the elimination of two zeros, and the possibility of opening private exchange businesses.... We discussed all of this, as well as the expectations which the new changes should cause with Borko Stanoevski, head of the monetary authority in Macedonia and governor of the NBM.

[Anastasova] Together with the program of the National Bank the government made public its concept of macroeconomic policy for this year. To what extent and how is one related to the other?

[Stanoevski] According to the Law on the National Bank, the Central Bank has been granted a high degree of independence in the formulation and implementation of monetary-credit policy. The technology for the implementation of the projection is inevitably related to the general stipulations of macroeconomic policy: the growth of public production, and the policy of income, wages, and pensions, public consumption, and the expected level of inflation. In addition to other similar elements, these factors are of major importance in determining the amount of money in circulation. Furthermore, the government is responsible for the policy of setting the rate of exchange of the denar to foreign currencies. All of this affects the development of the plan for monetary policy, the overall framework of which is set by the government. In order to achieve a high degree of independence of the Central Bank, the bank itself must set up an institute for economic planning that would formulate the overall prerequisites for the expected changes. However, the amended laws must make possible the free setting of a rate of exchange or make this the duty of the NBM. It is under such circumstances that one could speak of total independence. Otherwise, the plan for monetary policy and any changes made this year are directly related to macroeconomic policy and, depending on the extent of realism with which its premises have been formulated, the plan for a monetary policy will be realistic. Actually, the National Bank does not operate like the government. Should it assess that the elements of a macroeconomic policy are unrealistic, it would react immediately.

[Anastasova] What were your remarks to the government in connection with the macroeconomic policy?

[Stanoevski] The projection for this year was drafted last year, in December, on the basis of the following governmental premises: a decline in public production of four percent, a 4-percent monthly inflation, or an annual inflation of 100.4 percent, and public consumption not to exceed 35 percent of public production. However, the data of the first three months of this year have indicated that all of this was unrealistic. The inflation amounted to 15 percent in January, 33 percent in February, and 8.5 percent in March. Anticipated developments in the dynamics of wages and pensions did not occur. Thus, it became clear that more money had to be put in circulation. Under those circumstances, the monetary policy may become counterproductive and strangle the economy. This would lead to a much greater drop in production. For these reasons, in March we asked the government to review its macroeconomic policy. This is what led to the changes: the decline in public production was assessed at seven percent; monthly inflation at 15 percent, with an annual inflation of 434 percent; the dynamics of wages and pensions was reassessed as well. It is on this basis that we revised our own projection.

[Anastasova] What are the main changes in monetary policy?

[Stanoevski] According to the initial projection, an increase in the monetary mass by 153 billion denars or by 80 percent, compared to the situation on 31 December 1992, was anticipated. With the changes, the plan is to increase the monetary mass by 485 billion denars, or 268 percent. Last year, the increase amounted to 704 percent with an inflation of 1,927 percent, which proves the existence of a restrictive annual monetary policy. Furthermore, the initial anticipations presumed a new monetary emission of 98 billion denars while the revised one was 243 billion. Our final objective is to keep the monetary mass within the planned limits. The emission of money depends on several elements. In the primary emission, 147 billion denars must be used to increase the foreign currency reserves; in the course of the year we must purchase about \$50 million and 96 billion denars will be offered as credit to the banks for the needs of the economy.

[Anastasova] What is the role of monetary dynamics in the increased inflationary spiral?

[Stanoevski] Unquestionably, inflation is the consequence of monetary dynamics. However, under our circumstances this rule could hardly be considered the only one, for inflation is affected by a number of other factors. A good example of this is its dynamics during the first quarter. Within that period monetary policy was very restrictive and it was normal to expect that the decline of inflation noted in December and January would continue in February as well. Conversely, we noticed at that time a high increase (33 percent), which was not the consequence of the monetary policy but of the government's decision to raise the prices of several basic items. This created a psychology of expected hyperinflation. The reason was that price increases ranged

between 40 and 60 percent, for which there was no material reason whatsoever.

[Anastasova] The government's projection concerning the monthly dynamics of inflation is 15 percent; in March inflation amounted to 8.5 percent. What results will be achieved by the monetary policy if the trend of a single-digit inflation is maintained in the months to come, while the projection is based on a planned 15 percent increase?

[Stanoevski] In terms of inflation, in the next two to three months the monetary policy may act as a negative factor, for the very reason that it was planned on the higher levels of authority and that it was a poor assessment on the part of the government. This conclusion is based on the March development and it is entirely realistic to expect that the April inflation will remain on the same level. Under those circumstances, the loosened monetary policy could influence an inflationary increase, for in this case we lose the element of restrictiveness and inflation becomes extensive. During that period we have an exceptionally high liquidity in the banking system and, in order to maintain the policy of collective loans (for the spring sowing and the purchasing of lambs) the Central Bank will require a monetary emission. This calls for the almost daily monitoring of dynamics and for adapting the monetary policy to it.

[Anastasova] Will the packet, along with the other measures, include the devaluation of the domestic currency?

[Stanoevski] The packet calls for substantial changes in the area of economic relations with foreign countries, particularly with a view to establishing the rate of exchange of the denar, which will be based on the market. Therefore, the policy of a fixed rate is being abandoned. Actually, the level of the rate will depend on supply and demand on the day such measures become effective. Obviously, this market rate will not be on the level of the present one but this is not devaluation by decision.

[Anastasova] How will changes in the value of the notes take place in terms of the denar?

[Stanoevski] Simply in a way which will not burden the citizens as in the case of a classical substitution within a certain period of time. By the end of this month the minted Yugoslav dinars of one, two, and five dinars will be withdrawn. With the circulation of the new denominations, both paper and minted, bank notes of 10, 25, 50, 100, and 500 denars will no longer be used as currency. They will be exchanged in post offices, banks, and the SOK [Public Accounting Service] over the two following months and, subsequently, by the National Bank. Notes of 1,000, 5,000, and 10,000 denars will remain in circulation, minus two zeros, for no less than another two months, after which they could be exchanged within a period which may be extended to the end of the year.

[Anastasova] The foreign exchange policy, furthermore, includes major changes. What are the radical features in this area?

[Stanoevski] Above all let us point out that the fixed rate of the denar, a policy which caused great damages last year, will be abandoned. Therefore, the rate will change freely, according to the dynamics of the foreign currency market, as set by the exchange bureaus which will be established to this effect. This will be followed by several steps related to the foreign exchange policy, particularly in terms of stimulating exports, and a better organized control of imports and payments for imported goods. It is on this basis that the mechanisms for increasing foreign currency reserves will be changed as well. We shall abandon the mandatory withholding of 30 percent of the incoming foreign exchange, and exchange operations will not be exclusively to the benefit of the NBM. More specifically, mechanisms will be developed according to which the National Bank will participate in the foreign currency market. The activities in that area will proceed also as a result of the acceptance of Macedonia as member of the International Monetary Fund and the other international financial institutions.

[Anastasova] What results of such measures are expected now, immediately prior to the implementation of the program?

[Stanoevski] At the present time, intensive preparations are under way in drafting the basic laws in the field of monetary and foreign exchange policy, to include all of these reforms. This must be completed by the end of this month. I hope that they will function better than expected, since for quite some time demand for foreign exchange has been high. This is the basic feature stipulated in the reform. We could also expect a stabilization of the rate of the denar and a reduction of inflation to a lower level than the one stipulated by the government, something which will strengthen the positions of the domestic currency in the economy.

#### \* Changes in Accounting, Control System

93BA0953A Skopje NOVA MAKEDONIJA in Bulgarian  
17 Apr 93 p 14

[Article by Violeta Cvetkovska: "With the Pulse Beat on the Market"]

[Text] *The SOK [Public Accounting Service] should be replaced by a Commercial Accounts Institute, according to Bosko Stefanovski, deputy general director of the SOK. Independence from the state, autonomy, and neutrality. Changing its other functions as well, such as supervision and auditing*

Not so long ago, the Public Accounting Service, as one of the bases of the old economic system, was put on the "black list" of institutions to be urgently closed down or at least reorganized. Although we do not question the need for reorganizing this service, necessitated by the very fact that we have already joined the market system

and our working conditions have changed, its hasty closing down is unjustified, as confirmed by practical experience, for there are no real foundations or prerequisites for ensuring a suitable replacement of this service with corresponding institutions that would assume its functions. However, the reorganization of the SOK is a current problem, for which reason noted experts in the economic and financial areas have been asked to develop a variety of concepts and views on this topic. A proposal for the reorganization of the Service into a paid commercial service was submitted by the SOK itself to the Ministry of Finance. Bosko Stefanovski, assistant general director of the Macedonian SOK, has also shared his views on the future of the SOK and its reorganization. He believes that this service should be replaced by a commercial payments institute.

### Three Laws

"Let me say first that the range of work of the SOK, in the course of its development," Stefanovski says, "has been steadily gone ahead, whether expanding or retreating, depending on the development of the economic system, constitutional changes, or legal stipulations. The Service has always reflected the changes made and has reflected demands for its adaptation and for the implementation of such changes. Its functions have been based on, and coordinated with, the foundations of the economic system, the system of managing property, strongly influenced by economic activities (administrative, real, contractual) and the influence of the high degree of standardization in economic work. With the founding of the Republic of Macedonia as an independent state, and the building of economic market conditions, the need arose to reorganize and adapt the SOK functions to the market method. Hence it is unquestionable that its reorganization is necessary, for which reason I am prepared at all times to defend its reorganization but not especially eliminating functions which are necessary in a market economy."

"In the past two years the SOK worked under the exceptionally difficult conditions of an unconsolidated economic situation, lack of legal regulations, the adoption and application of the laws of the former SFRJ [Socialist Federal Republic of Yugoslavia] and its own rules, and the lack of financial discipline, especially in terms of public debts, and the existence of a 'black' and 'gray' economy. Under such circumstances, there was insistence to adapt to the recent socioeconomic changes and to make possible the steady development of the financial affairs of the state."

"The SOK," Stefanovski says, "has its own concept on the reorganization of its functions. Our view is for such functions to be determined on the basis of the new laws according to which the institutions making commercial payments will be established and structured, including auditing of accounts and public expenditures in public enterprises, and supervising the calculation and deposits of public revenue funds. In that sense, the service has suggested three laws as working versions (commercial

payments, auditing, and state auditing), which it submitted to the Ministry of Finance. Along with the regulations on financial control, such laws should become the basis for the reorganization of the SOK."

### The Institute Must Be the Main Bearer

"My thoughts," Stefanovski went on to say, "essentially coincide with the concept of the reorganization of the functions of the SOK with certain exceptions relative to the institutional definition and content of its work. For example, our suggestion is for the SOK to be converted into a commercial payments service or a commercial payments institute. I am in favor of establishing a commercial payments institute that would ensure independence from the state, autonomy, and neutrality, as well as equal treatment of all entities making commercial payments, and increased efficiency and effectiveness in monetary changes. This will make clearer its development and future under market relations."

The settling of commercial accounts is most essential in such a case, and such an institute should ensure the ordinary yet uncomputed development of internal commercial payments in denars. The institute must be the main bearer of responsibility for commercial payments in the Republic and mediate in payments among all juridical persons through the system of registration of accounts. It must standardize commercial payments handled by other carriers, such as the NBM [National Bank of Macedonia], the banks, the savings institutions, and the postal service. The question arises at this point of why should commercial payments not be made through the banks? The first and foremost reason is the need to ensure an equal treatment of all parties to commercial payments, and the shifting of monetary funds without applying a high coefficient of monetary turnover (once or twice daily), for the average time for payments among entities located in different parts of the Republic to take no more than one day or even less, and for providing a variety of forms of cashless payments.

The SOK has drafted a plan, soon to be tried, according to which personal computers will be used to establish contacts among juridical persons who will be thus able to have a dynamic view on transfers and the daily amounts of incoming and outgoing funds.

The Commercial Payments Institute will be able to provide other services to meet the needs of the state and of juridical persons, such as, for instance, clearing operations needed by the exchanges which will be opened, exchange operations and even credit savings operations, naturally in competition with the other institutions making commercial payments. As to the other functions of the SOK, such as inspection, according to Stefanovski, they should concentrate more on estimating and depositing the public revenue coming from the taxpayers, and the accuracy and promptness with which obligations to the budget and the social funds are met.

Audits, which will include the examination and evaluation of accounting operations recorded in the annual



balance sheets, will be focused on the accuracy of the data and the destination of the funds. Audits must be developed in two directions: auditing public expenditures and public enterprises—state and financial audits of enterprises. The first would be supervised by the state and will consist of an institute or agency; the second will be set up on a commercial and competitive basis, including the opening of several auditing houses.

The time needed for the reorganization of the SOK will depend on several factors. First is the adoption of legal regulations on the development of a new accountability and taxation system inherent in a market economy. However, it would be difficult to determine the time this will take, however easy it is to demand that the SOK be closed down. Who would take over the functions of the SOK and where would such functions be performed? Are there cadres trained to this effect? It is necessary, according to Stefanovski, to pass laws similar to those in countries with a market economy, such as the Law on Accountability, based on accountability standards, or else to introduce an added value tax.

#### \* Distribution of Soros Funds Detailed

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[Article by M. Anastasova: "\$12 Million for 23 Companies"]

[Text] *A total of 80,000 tons of petroleum were purchased for \$10,102,000, earmarked for the Republic commodity reserves. The economic and commercial banks will invest the \$12 million they were given in 23 enterprises that have export contracts and are expecting foreign exchange earnings. The example of Skopje's Alumina.*

The funds from the first loan received by Macedonia from U.S. businessman George Soros have already been put to work. Some of them went to the purchasing of petroleum, which was a prerequisite in signing the contract with the lender; the balance was disbursed by the economic and commercial banks. The funds which were given to these banks were distributed among 23 Republic enterprises.

The sum of \$10,102,000 was used to purchase about 80,000 tons of petroleum. This petroleum will not be for sale. It has been earmarked as Republic stock reserves, according to Hari Kostov, adviser to the Macedonian government. To this effect a letter of credit was purchased from a Swiss bank where \$13 million were deposited with which payments will be made. The deadline for paying for the purchased petroleum has not been set as yet, for which reason payment must be made in full within a period of 70 days.

The remaining \$12 million, Kostov explained, were divided between the economic and the commercial banks. The contract was signed between them and the government stipulates that they will assume the commitments related to these funds. The contract stipulates that

"the banks may use these funds to issue short-term loans exclusively to juridical persons in the Republic who are active exporters, on the basis of already secured instruments for the repayment of the loan by the end user, and to juridical persons who must provide proof that they are expecting foreign currency revenue with which they intend to repay the loan." The contract further stipulates that the bank that uses the funds from the loan must repay the loan within six months counting from 31 July of this year. The first two payments must total 10 percent of the obtained funds; the remainder must be payments of 20 percent, so that the last payment must be sufficient to cover the full principal. It must be noted that the Republic banks and, respectively, the government as the guarantor, have obtained the funds under the same conditions as the ones stipulated in the contract with Soros. Specifically, applicable to them is the (libor) interest rate with a 1.5 percent annual increase. Furthermore, according to the contract the banks must repay the lender of the foreign exchange or, more accurately, the Republic, for the full costs related to the use and repayment of the funds. All of this is included in the 0.5 percent stipulation approved by the government. The money was transferred to the respective accounts on 16 March.

Thus, according to Kostov, the virtually entire loan has already been disbursed with the exception of less than \$3 million kept in the Swiss bank. However, even that amount will be transferred to the two domestic banks and be used through them, and so will the interest earned on the \$13 million deposited in the Swiss bank. Payment of the interest on the loan will start in May. The idea, according to Kostov, was for the government not to interfere in the allocation of the funds. Hence the decision for the funds to be used through the economic and commercial banks.

Again according to the contract, which was signed on 12 March of this year, the Skopje Commercial Bank obtained approval for a foreign exchange quota of \$5 million. Such funds, according to the bank's information, were used to meet 13 requests from customers who have export agreements worth about \$15.8 million. However, within the limits of the possibility based on the obtained money, the Commercial Bank approved funds to 10 clients, nine of whom are production enterprises and one a commercial enterprise. We were unable to identify the enterprises in question, for this is a bank business secret. However, the bank told us that what matters is the condition that these entities met the stipulations: all of them actively deal in foreign exchange and earn foreign currency that is handled by the Commercial Bank. Furthermore, the fact that the loan repayment is secure is backed by the concluded export contracts and other export payment instruments. The dynamics of the payments could be coordinated with the stipulated commitments governing the use of parts of the Soros loan. Furthermore, the user must repay to the Commercial Bank, in a single payment and in foreign currency, one percent of the amount of the approved



funds he used. Additionally, there is a quarterly stipulation of 0.5 percent to be paid in denars on the balance of the loan.

Thirty-two enterprises submitted requests to the Economic Bank, totaling \$30 million, for the \$7 million approved to the Economic Bank. Thirteen of them were chosen. The bank will charge a two percent interest on such funds and the recipients of the loan must pay a three percent interest on the principal to the Economic Bank. The payment will be in denars, based on the official rate of exchange.

One of the enterprises that obtained part of the loan is Skopje's Alumina, which is already making use of the funds. According to General Director Vasil Kostojcinovski, the enterprise purchased 333 tons of metal with the 550,00 marks it obtained. The purchase price was very good, he said, for metal prices throughout the world had begun to drop. Otherwise, the metal would have cost between \$50 and \$100 more. This procurement is related to exports and the repayment deadline is 60 days. This makes it possible, according to Kostojcinovski to obtain further quantities and to have between two and three fund turnovers.

Some of the earnings from exports will be used to pay for importing equipment for electrostatic powder paint. Thus, starting with July, Alumina will undertake the production of dyed sections (so far it was oriented exclusively to the production of oxidized shapes) that are in demand. This is linked to the export of sections, something which means receiving a counterorder, according to Kostojcinovski.

All of this makes possible a repeated turnover of the funds. However, there are further advantages as well. The obtained money, according to the director, is important also in terms of keeping foreign customers and resolving the problem of raw materials. This is the best arrangement ever made by Alumina so far.

Unquestionably, the other enterprises as well will have the possibility for having a turnover (once or several, according to the dynamics of their work) with their share of the loan. This will eliminate any danger of loss of funds or impossibility to repay. The only prerequisite is that the money invested in the petroleum must remain frozen, which will make it necessary that \$10 million or so be used to repay it out of the Republic foreign currency reserves, unless in this case as well a turnover is achieved by selling some of the reserves or in some other way.

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